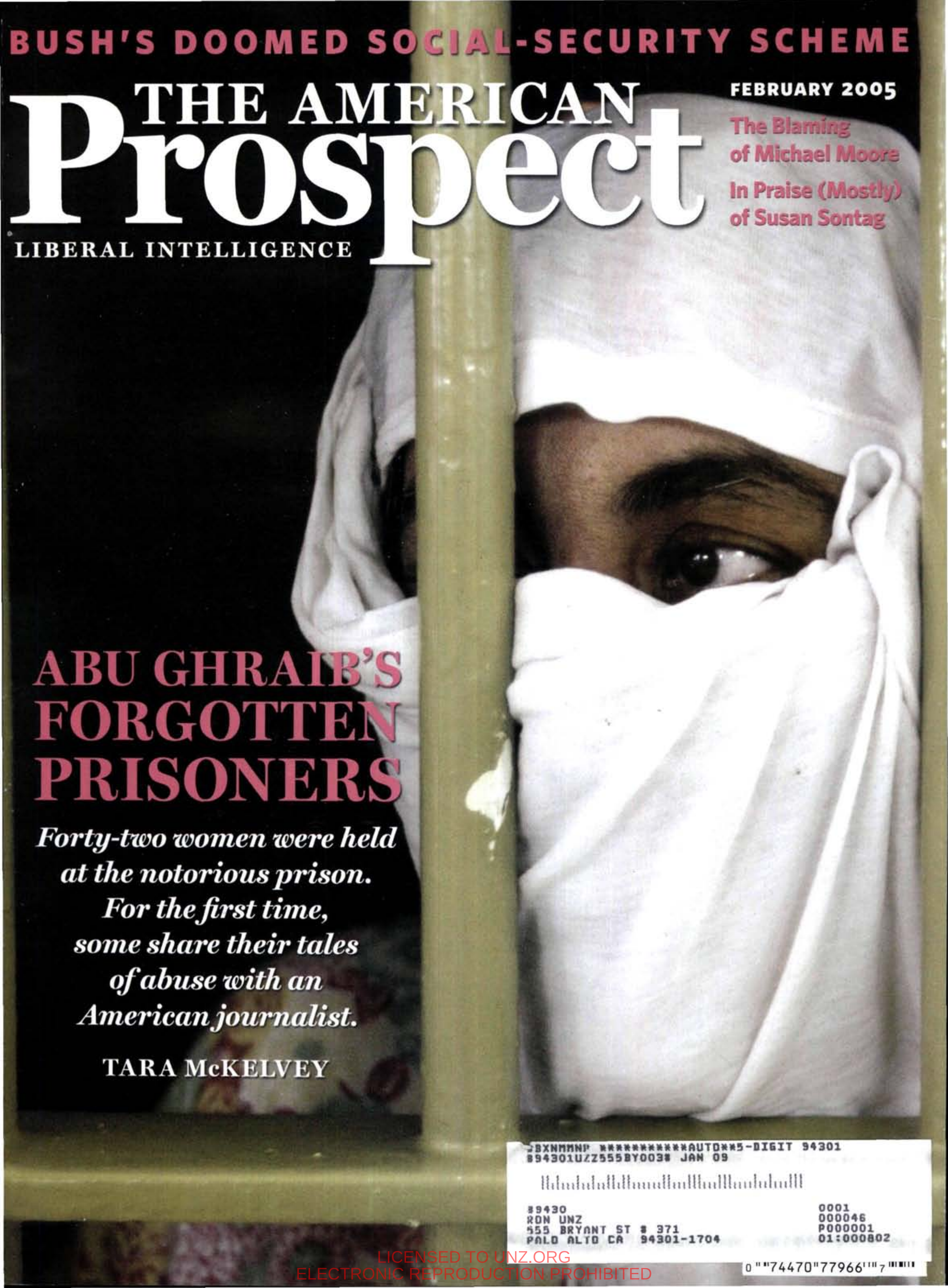


BUSH'S DOOMED SOCIAL-SECURITY SCHEME

THE AMERICAN Prospect

LIBERAL INTELLIGENCE

FEBRUARY 2005

The Blaming of Michael Moore

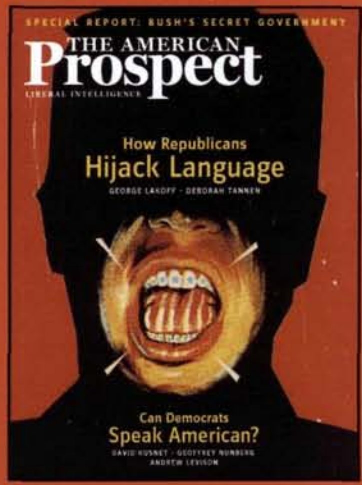
In Praise (Mostly) of Susan Sontag

ABU GHRAIB'S FORGOTTEN PRISONERS

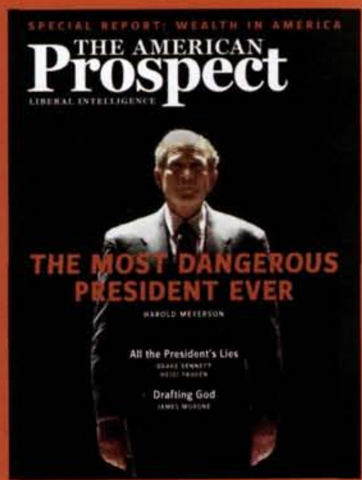
Forty-two women were held at the notorious prison. For the first time, some share their tales of abuse with an American journalist.

TARA McKELVEY


DANGER
RIGHT-WING SCHEMES AHEAD


SPECIAL REPORT: BUSH'S SECRET GOVERNMENT
THE AMERICAN Prospect
How Republicans
Hijack Language
GEORGE LAKOFF · DEBORAH TANNEN
Can Democrats
Speak American?


THE NEW BATTLES: SOCIAL SECURITY & THE SUPREME COURT
THE AMERICAN Prospect
LIBERAL INTELLIGENCE
MISSING
Have You Seen the Emerging Democratic Majority?
It's Closer Than You Think
JOHN B. JUDIS
RUY TEIXEIRA
It's Forming—In The RED States
DAVID SIROTA
It's Farther Away Than You'd Hope
MICHAEL LIND


SPECIAL REPORT: WEALTH IN AMERICA
THE AMERICAN Prospect
LIBERAL INTELLIGENCE
THE MOST DANGEROUS PRESIDENT EVER
HAROLD MEYERSON
All the President's Lies
Drafting God

FEBRUARY 2005
VOLUME 16 • NUMBER 2

THE AMERICAN Prospect

LIBERAL INTELLIGENCE

"The mistake a lot of politicians make is in forgetting they've been appointed and thinking they've been anointed." —CLAUDE PEPPER

Cover design by Aaron Morales

COVER AP/WIDE WORLD PHOTO

The American Prospect (ISSN 1049-7285) is published monthly by The American Prospect, Inc., 2000 L Street., NW, Suite 717, Washington, DC 20036 (editorial office) and 11 Beacon Street, Suite 1120, Boston, MA 02108 (business office). Periodicals-class postage paid at Boston, MA, and additional post offices. Postmaster: Please send address changes to *The American Prospect*, P.O. Box 601, Mt. Morris, IL 61054-7531. Printed in the United States.

THE AMERICAN Prospect

CO-EDITORS **Robert Kuttner, Paul Starr, Michael Tomasky**
CO-FOUNDER **Robert B. Reich**

EXECUTIVE EDITOR **Michael Tomasky**
DEPUTY EDITOR **Sarah Blustain**
EDITOR-AT-LARGE **Harold Meyerson**
MANAGING EDITOR **Erin Pressley**
SENIOR EDITOR/WEB EDITOR **Tara McKelvey**
POLICY EDITOR **Dorian Friedman**
FOREIGN EDITOR **Laura Secor**
SENIOR EDITOR **Garance Franke-Ruta**
ASSOCIATE ART DIRECTOR **Aaron Morales**
COPY EDITOR **Jeremy Berlin**
ASSOCIATE WEB EDITOR **Jeffrey Dubner**
STAFF WRITER **Matthew Yglesias**
WEB WRITER **Sam Rosenfeld**
WRITING FELLOWS **Mark Leon Goldberg, Ayelish McGarvey**
EDITORIAL ASSISTANT **Melissa Thompson**
ASSOCIATE EDITOR **Rhea Wilson**
SENIOR CORRESPONDENTS **Nicholas Confessore, Ann Crittenden, Robert Dreyfuss, James Fallows, Gershom Gorenberg, E.J. Graff, Mark Greif, John B. Judis, Chris Mooney, Sasha Polakow-Suransky, Eyal Press, Joseph Rosenbloom, Richard Rothstein, Peter Schrag, Michael Steinberger, Noy Thrupkaew, Jason Vest, Sarah Wildman**
CONTRIBUTING EDITORS **Marcia Angell, Alan Brinkley, Jonathan Cohn, Jeff Faux, Merrill Goozner, Arlie Hochschild, Christopher Jencks, Randall Kennedy, Robert S. McIntyre, Alicia H. Munnell, Karen M. Paget, Alejandro Portes, Jedediah Purdy, Robert D. Putnam, Samantha Sanchez, Deborah A. Stone, Cass R. Sunstein, William Julius Wilson**

MAGAZINE DESIGN **Point Five Design**
Alissa Levin, Design Director; Jennifer Over, Designer

MOVING IDEAS NETWORK
DIRECTOR **Melanie Alston-Akers**
STRATEGY DIRECTOR **Diana Onken**
MANAGING EDITOR **Diane Greenhalgh**
OUTREACH COORDINATOR **Rebecca Wiegand**

PRESIDENT **Robert Kuttner**
PUBLISHER **Robin Hutson**
CONTROLLER **Barbara Saunders**
MARKETING MANAGER **Jennifer Gilman**
OUTREACH MANAGER **Alison Leff**
DEVELOPMENT ASSISTANT **Sarah Gurfein**
IT DIRECTOR AND WEB MASTER **Jocelyne Yourougou**
ADMINISTRATIVE ASSISTANT **Tim O'Brien**
CIRCULATION CONSULTANTS **ProCirc, Cary Zel, Director; Susi Chapman, Manager**

FOUNDING SPONSORS **Kenneth J. Arrow, Daniel Bell, Kenneth B. Clark, Marian Wright Edelman, John Kenneth Galbraith, Sidney Harman, Irving Harris, Albert O. Hirschman, Harry Kahn, Charles Lindblom, Arthur M. Schlesinger, Jr., Fritz Stern, James Tobin**
BOARD OF DIRECTORS **Richard C. Leone, Chairman**
Maria Echaveste, Danny Goldberg, Jehmu Greene, Christopher Jencks, Michael J. Johnston, Randall Kennedy, Robert Kuttner, Nancy Mills, Robert B. Reich, Adele Simmons, Paul Starr, Benjamin Taylor, Laura Tyson

ADVERTISING SALES **Robin Hutson, Publisher, (617) 570-8030**
SUBSCRIPTION CUSTOMER SERVICE **1-888-MUST-READ (687-8732)**
SUBSCRIPTION RATES **$39.95 (U.S.), $59.95 (foreign) and $54.95 (Canada)**
MEDIA RELATIONS **Alison Leff, (202) 776-0730**
NEWSSTAND DISTRIBUTION **Big Top Newsstand Services, a division of the IPA, (415) 643-0146 or fax (415) 643-2983 or e-mail info@bigtoppubs.com**
REPRINTS CCC **Academic Permissions Service, 222 Rosewood Drive, Danvers, MA 01923, (978) 750-8400**
MICROFILM **University Microfilms, Inc., (734) 761-4700**

You Better Think!

ON FEBRUARY 12, THE 447 MEMBERS OF THE Democratic National Committee are to elect a new chairman to replace Terry McAuliffe. Four days later, an important new book—*John Kenneth Galbraith: His Life, His Politics, His Economics*, by Richard Parker—is due to hit bookstores. These two events actually have a lot to do with each other—or at least the appearance of the latter provides a timely dose of context for the former, and a suggestion of one unusual job the new party chairman needs to take on.

A party chairman, by tradition, is supposed to be a mechanic. He raises money, recruits candidates, assembles permanent databases of party activists. But if the next chairman wants to save his party from falling into minority status for the foreseeable future, he'll need to do more than that. He'll need to train his party to think again.

After John Kerry's defeat, the chief complaint was that both candidate and party failed to let Americans know what they stood for. It was typically appended—or could have been when it was not—that the reason for this was that they didn't know what they stood for themselves.

It's time to start knowing.

IN THE RECENT ITERATION OF THEIR quadrennial finger-pointing party, Democrats were quick to say that they will re-examine their position on this new controversy or rethink their attachment to that old piece of party dogma. It's all well and good, except for one problem: No one is ever in charge of the re-examination and rethinking. Different Democrats go on television and say A or Not A and B or Not B, but no one ever takes control of giving the debate any cohesion or direction toward an end point. Thus, nothing is ever quite anyone's fault. And before you know it, a new election rolls around, and the party still hasn't figured out what it stands for.

I used to ask congressional Democrats why—in the wake of September 11, when it was obvious that new paradigms were in order—they, or at least some of them, had not banded together and presented a Democratic vision for foreign policy in the post-9-11 world. Invariably, the answer was that coming up with something that grand wasn't their job. In 2003, after the Iraq War had started (and "ended") and it was time for Democrats to formulate a response to the Bush administration, I used to ask what that response would be. Not our role, I was told; when we have a candidate, we'll have a response.

Ideas aren't often the strong suit of party chairmen. For the Democrats' new leader, though, they'll need to be.

This buck-passing is how things have normally worked. But these are not normal times. The Democratic Party is in unique straits. Someone has to take charge, not necessarily of deciding what the party stands for but of initiating a serious process whereby that is determined.

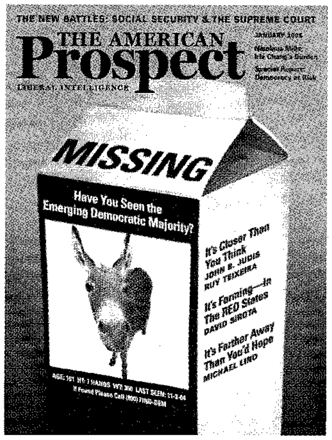
THIS IS WHERE THE GALBRAITH BOOK comes in. Galbraith bestrode the world during the era of liberal dominance; part of the reason for that dominance was that Democratic politicians leaned on wise liberal intellectuals for advice and ideas. This relationship characterized Franklin Roosevelt's dependence on "brain trust" figures like Rexford Tugwell and Adolph A. Berle Jr.; Harry Truman's reliance on "wise men" like Dean Acheson, George Kennan, and John J. McCloy; and John F. Kennedy's relationships with men such as Arthur Schlesinger Jr., Thomas K. Finletter, and Galbraith himself. In each case, the thinkers came up with good ideas, and the Democrats listened. Can it be merely coincidence that all three of those presidents presented innovative ideas to the American people, and that when the man in the street was asked in those days what the Democrats stood for, he could think of an answer?

I am not saying that intellectuals can save the Democratic Party (indeed, one could argue that the intellectuals of the 1970s and '80s almost destroyed it). But politicians need to be in dialogue with thinkers, not just special-interest advocates and pollsters. One gets the sense that those relationships do exist on the Republican side, especially with regard to foreign policy. There is actual thought—bad thought, but thought all the same—in the neoconservative approach.

But with Democrats, a new approach always sounds more like superficial repositioning. When House Minority Leader Nancy Pelosi encouraged the anti-abortion Tim Roemer to seek the party chairmanship, she was doing just that—superficially pandering to the party's opponents while making party loyalists very nervous. The party needs to figure out what to do about abortion. But not like that.

This is a crisis—one might say *the* crisis—and the new chairman needs to address it. He should convene meetings where progressive thinkers of all stripes can meet with elected officials in a structured way to start thinking ... about thinking. TAP

— MICHAEL TOMASKY



> ***Woodrow Wilson, according to Lind, was just another good ol' boy, not a reformer.***
>
> —THOMAS J. SUGRUE
> PHILADELPHIA, PA

Sirota Unleashed

IN AN ARTICLE HIGHLY critical of centrist Democrats ["The Democrats' Da Vinci Code," January 2005], writer David Sirota manages in a single paragraph to question the ethics, leadership, and loyalty to Democratic Party ideals of Senator Joseph Lieberman by claiming that Lieberman refused to "aggressively" investigate the Enron scandal as chairman of the Governmental Affairs Committee in 2001–02.

But Sirota never documents his assertion, probably because it's false. Some facts:

On January 2, 2002, just weeks after Enron's collapse, then-Chairman Lieberman announced that the Governmental Affairs Committee was issuing subpoenas for documents from Enron's board of directors, senior managers, and auditing firm, Arthur Anderson.

Between January 24 and November 12, 2002, Lieberman chaired five full committee hearings where some 40 witnesses testified. Following the hearings, Lieberman issued two lengthy, detailed reports that laid out the failings of the Securities and Exchange Commission to spot red flags regarding Enron's financial practices; the conflicts of interests of the Wall Street analysts who continued to recommend Enron stock as a "buy" up until Enron's collapse; the lack of probing by the credit-rating agencies, which rated Enron's as creditworthy until four days before the company declared bankruptcy; and the failures of the Federal Energy Regulatory Commission in its oversight of Enron's energy business. These hearings, investigations, and reports undoubtedly contributed to the momentum for corporate and regulatory reform.

The investigation also uncovered previously undocumented wrongdoing by Enron. For instance, Senator Lieberman's investigation found that Enron had wrongly claimed a regulatory exemption for some of its wind farms and was overcharging California ratepayers. This discovery led to more than $50 million in refunds ordered to California energy consumers.

When the White House refused to provide information about the administration's dealings with Enron, Lieberman, despite the unanimous and bitter objections of Republican committee members, issued a subpoena to force compliance. The 105-minute committee meeting was so fierce, in fact, that it made the front page of *The Washington Post*. But faced with the vote, the White House began releasing the most definitive accounting of its contacts with Ken Lay and Enron that very same day.

Far from failing to aggressively investigate the Enron scandal, Lieberman's committee launched a broad and aggressive investigation that shined light not just on Enron's wrongdoing but also on the serious failings of government regulators and other players in the financial markets.

JOYCE A. RECHTSCHAFFEN
Minority Staff Director
Senate Committee on Homeland Security and Governmental Affairs

David Sirota responds: As most in Washington know, Lieberman slow-walked the investigation from the beginning. For instance, the *Washington Monthly* noted, "It took Lieberman more than three months from the time he announced his committee's Enron investigation to finally hand the administration a subpoena." When his investigation ended, he didn't push any further. Why? Perhaps because Lieberman accepted thousands of dollars from Enron and Enron-affiliated firms during his career, and because he had defended many of the accounting practices that led to the rash of Enron-style corporate scandals.

Instead of desperately trying to mask Lieberman's corporate genuflecting, Lieberman allies might do better to encourage the Connecticut senator to actually behave like the progressive he claims to be. It might make his self-righteous moralizing seem more sincere.

States of Confusion

IN "MAPQUEST.DEM" [January], Michael Lind makes some predictable arguments about the revitalization of the Democratic Party: Support policies that will benefit working Americans, avoid "bland compromises" with red-state conservatism (except when it comes to affirmative action, abortion, and gay rights), and keep an eye on those midwestern governors.

Whatever the merits of his political advice, Lind's reasoning is based on fuzzy geography. His concept of a "Greater New England" accounts for so much and yet so little. In his telling, New England's "reform impulse" swept over the Great Lakes states (oops, forgot about those pesky Republican Hoosiers), New York (sorry Al Smith), Iowa, the Scandinavian upper Midwest (but not the Dakotas), Oregon, Washington, California, and—watch out for those black helicopters—Idaho.

Lind's honorary New Englanders include Mormons (now I know why blue Massachusetts elected Mitt Romney as governor), isolationist Nebraskans, Kentucky Senator Henry Clay, and Teddy Roosevelt. Somehow, New Jersey (whose governor-become-President Woodrow Wilson, according to Lind, was just another good ol' boy, not a reformer), Pennsylvania, and reliably blue, south-of-the-Mason-Dixon-line Delaware and Maryland get left out altogether, though I'm guessing that we have some lessons to learn from those states that

Lind has missed.

Thank goodness that John B. Judis, Ruy Teixeira, and David Sirota at least know how to read electoral maps.

THOMAS J. SUGRUE
Philadelphia, PA

Almost Right

THERE ARE TWO FLAWS that should not be overlooked in John B. Judis and Ruy Teixeira's otherwise enlightening analysis of voting patterns in the 2004 presidential election ["Movement Interruptus," January].

First, the authors' conclusion that "the key to [George W.] Bush's victory was reviving [Ronald] Reagan's support among the white working class" is based in part on a mistaken assumption that white voters without college educations, who voted relatively heavily for Bush, belong to the working class. In fact, there are many older white women without college educations who are in families with above-average incomes.

Second, it is not true that "Republicans got their most impressive results in the South." Bush rolled up his highest percentages in the northern Rockies (Idaho, Utah, and Wyoming) and Nebraska. In those areas, John Kerry was kept below 30 percent or even 25 percent of the vote, whereas he scored nearly 40 percent of the vote throughout most of the South.

In short, Republicans still do best in regions without African Americans, Hispanics, Catholics, Jews, or cities.

RICHARD JOFFE
New York, NY

John B. Judis and Ruy Teixeira respond: Many older white women who did not graduate from college but have above-average incomes either worked for, or were married to someone who worked for, wages. Non–college educated isn't a perfect indicator of who is in the wage-laboring class, but it's better than income.

Bush made his most impressive *gains* from 2000 in states like Alabama, Georgia, and Florida. He actually lost ground from 2000 in Montana and Idaho.

Spot On

TARA MCKELVEY HAS written a hard-hitting and accurate account of trafficking work in the age of the faith-based initiative ["Of Human Bondage," November]. Nongovernmental-organization leaders in the United States speak of a new McCarthyism, a silencing of those who fight trafficking in persons but fear that the Bush administration's worldwide crusade against prostitution has diverted attention away from the battle against human traffickers.

Adult prostitution has become a red herring in the anti-trafficking debate. Domestic politics aside, as McKelvey's piece points out so effectively, these policies have a very real impact on freedom of expression for those fighting trafficking in the field.

MARTINA E. VANDENBERG
Washington, DC

Letters to the editors should be sent to letters@prospect.org or mailed to The Editors, The American Prospect, 2000 L St., NW, Suite 717, Washington, D.C. 20036.

Devil in the Details

ETHICS DELAYED

HOUSE REPUBLICANS finally have an ethics committee they can call their own.

The relationship between the GOP caucus and the committee has been strained ever since the panel handed down three admonishments to Majority Leader Tom DeLay last fall for various improprieties and ethical lapses. Perplexed and alarmed that the committee, under the chairmanship of conservative Republican Joel Hefley of Colorado, had somehow gotten the impression that it had the right to extend ethics rebukes to Republicans, the leadership set out to fix this heinous system of functioning accountability and oversight.

The package of ethics rule changes it proposed to the House Republican conference on January 3 amounted to a full-scale evisceration of the committee's powers: One change revoked a 30-year-old ethics rule requiring that House members behave in a manner that reflects creditably on the institution; another made the approval of a majority of the committee (which is evenly split between the parties) a prerequisite for launching an investigation of a member. Coming as it did a few weeks after the conference's decision to scrap a House rule requiring indicted party leaders to step down, this package amounted to such a brazen power play that DeLay himself, not always a man preoccupied with image concerns, made the suggestion to backtrack both on the proposed revocation of the "reflect creditably" rule and the party's policy on indicted leaders.

This partial reversal was rewarded in the press the next day with coverage suggesting that the GOP had suddenly seen the light on ethics. In fact, the rule change the caucus did push through—the one requiring a committee majority, or the chairman and ranking member, to greenlight an investigation—is more than enough to straitjacket a committee that is at best a pretty timid outfit. Moreover, leadership aides made it clear to the press that Hefley was going to be canned, citing term limits on committee chairmanships as the rationale (though Speaker Dennis Hastert waived the limits for Rules Committee Chairman David Dreier).

At press time, Hefley's replacement had not been announced. Early reports indicated that the leadership's first choice was Lamar Smith of Texas, a loyal GOP soldier who, lo and behold, was an original co-author of the very package of ethics rule changes the Republicans had "abandoned." Moreover, Smith passed what seems to be the real litmus test for advancement in Hastert's House: Last summer he made the maximum allowable personal contribution ($5,000) to the Tom DeLay Legal Expense Trust, a defense fund that's existed for five years and serves as a nice financial cushion for the harried majority leader as he skirts the edge of the law in one incident after another. DeLay's defense fund is no small deal: In the battle to become the new House Appropriations Committee chair (who is picked by the leadership), contender Jerry Lewis of California knew enough to augment the $5,000 he kicked in to the trust with $85,000 in contributions he managed to rally from his California colleagues. Today, Lewis wields the Appropriations Committee gavel.

Welcome to the new era of ethics in the House that DeLay built.

— SAM ROSENFELD

KRISTOL DEPLOYS

DURING LAST YEAR'S presidential-election campaign, it became a staple of right-thinking commentary to suggest that the two candidates' foreign policies weren't nearly as different as the Sturm und Drang of stump rhetoric made it sound. John Kerry, after all, was not promising a withdrawal from Iraq, and given America's limited resources, further military action simply wouldn't be feasible in a second Bush term.

Of course, lack of a feasible plan for occupying Iraq didn't stop the president from doing it in 2003, and now neocon-

ERIC PALMA

servatives outside the administration are gearing up for more and better interventions. Nicholas Eberstadt, an analyst at the American Enterprise Institute (AEI), got the ball rolling in the November 29 issue of *The Weekly Standard* with an Orwellian call for the administration to begin "readying the nondiplomatic instruments for North Korea threat reduction." *Standard* Editor William Kristol did a better job of saying what he meant in the December 20 issue, noting that "we could bomb Syrian military facilities" or "occupy the town of Abu Kamal in Eastern Syria," and arguing that America's "Syria problem" was more "urgent" than our "Iran problem" or our "Saudi problem."

Not that the relative lack of urgency and the need to keep warplanes available for missions against Syria and North Korea—or the need to send more troops to Iraq, which the *Standard* has repeatedly called for—should dissuade us from attacking Iran. In the magazine's January 10 issue, Reuel Marc Gerecht, also of the AEI, argued for the "deliberate use of nonconsensual, nondiplomatic options" against the Islamic Republic. In particular, a "preemptive military strike against all of the facilities that American, European, Israeli, and (in private) [International Atomic Energy Agency] intelligence suspect are associated with weapons production." Concern that such strikes would provoke Iranian counterattacks in Iraq and perhaps elsewhere reflect "a pre-9/11 mindset that advances defense over offense."

Last but not least, yet another AEI fellow, Thomas Donnelly, penned a December 30 article for the *Standard*'s Web site arguing that "if the Bush administration is serious about preserving American hegemony, it needs to devote greater attention in its second term to balancing against China's rise in Asia, rather than simply appeasing it." In light of the four-front war Kristol and Co. would have us fighting in Iraq, Iran, Syria, and North Korea (to say nothing of Afghanistan), however, it seems unlikely that there will be much time left over for this initiative.

— MATTHEW YGLESIAS

BURYING TENNESSEE

NO ONE DOUBTS ALABAMA state Representative Gerald Allen's sincerity when he says he wants to protect Americans from an insidious homosexual plot to redesign our nation's social fabric. One year ago, in February 2004, when constitutional amendments to ban gay marriage were just becoming trendy, Allen beat his colleagues in the Statehouse to the punch and introduced a bill that would amend the Alabama Constitution to define mar-

DOSSIER: LOOSE NUKES

Russia's estimated **stockpile** includes 18,000 assembled nuclear warheads at some 150 to 210 sites ... Additionally, it retains an estimated 603 metric tons of highly enriched uranium (HEU) and 170 metric tons of separated plutonium ... A **working nuclear bomb** requires at least 16 kilograms of uranium or 4 kilograms of plutonium ... Only 3 percent of Russia's total nuclear material stockpile is subject to U.S. monitoring ... 84 1-kiloton **"suitcase nukes"** are missing, according to former Russian national-security adviser Alexander Lebed ... The United States has verified the dismantlement of zero Russian nuclear warheads ... 10 **nuclear cities** employ approximately 120,000 to 130,000 people believed to have access to nuclear weapons or weapons-usable nuclear material ... Russia hopes to cut this workforce by 35,000 by the end of 2005 ... **Al-Qaeda** has actively sought nuclear weapons since at least 1992 ... In that year, coincidentally, Leonid Smirnov stole 1.5 kilograms of HEU from the Russian laboratory where he worked, becoming one of the world's first **nuclear thieves** ... He was hoping to sell it for $500 ... Al-Qaeda's annual budget during the 1990s was around $200 million ... ABC News **smuggled** 15 pounds of nuclear material similar to HEU into New York in 2002 ... It repeated the stunt in Los Angeles in 2003 ... The fiscal year 2004 United States budget cut the **"Second Line of Defense"** international anti-nuclear-smuggling effort by $85 million, or more than 38 percent ... George W. Bush's **FY2005 budget request** allots $706.5 million for reducing the threat of loose nukes ... **Halliburton overbilled** the Pentagon by $700 million in one "discrepancy" alone ... Bush's most recent budget request was 4.6 percent lower than Bill Clinton's final budget request in real terms ... Bush's FY2002 budget request was 34.3 percent lower than Clinton's last request and 13 percent lower than the FY2001 budget Congress approved ... Author Graham Allison's conservative estimate for **"total war on nuclear terrorism"** puts the price tag at $5 billion to $10 billion per year ... The total 12-year (1992 to 2004) U.S. expenditure on securing nuclear and other weapons of mass destruction abroad was about $9.2 billion ... President Bush requests $9.2 billion for the **Missile Defense Agency** in his FY2005 budget.

riage as "a unique relationship between a man and a woman."

Allen's bill is pending committee action in Alabama's lower house. Clearly emboldened, however, by the success of anti-gay-marriage initiatives on last November's ballots, Allen has prefiled a new bill for the 2005 legislative session, beginning Frebruary 1, that would prohibit the use of public funds for "the purchase of textbooks or library materials that recognize or promote homosexuality as an acceptable lifestyle."

Under Allen's bill, such works as *Cat on a Hot Tin Roof* and *The Color Purple* would fall under the embargo. After all, they contain protagonists who are either gay or of a somewhat ambiguous sexuality. On the December 3 *Hannity & Colmes* show, Allen warned that these two particular works were dangerous precisely because they blur the boundaries of acceptable behavior. "We have got to draw the line somewhere," Allen averred, "because the family and marriages—it's coming apart."

For Allen, merely banning these books doesn't deliver the kick he's after. What he'd really like to do, he said, would be to "dig a big hole, dump them in, and bury them."

Of course, Tennessee Williams isn't the only writer who blurred sexual boundaries. If *Cat on a Hot Tin Roof* is suggestive, how about that Old Testament? After all, 1 Samuel 18:1–4 notes rather coyly that David and Jonathan were more than just, ahem, friends. Sayeth the text: "After David had finished talking with Saul, Jonathan became one in spirit with David, and he loved him as himself. From that day Saul kept David with him and did not let him return to his father's house. And Jonathan made a covenant with David because he loved him as himself. Jonathan took off the robe he was wearing and gave it to David, along with his tunic, and even his sword, his bow and his belt."

So if you see some guy in Alabama burying 1 Samuel, the smart money says it's Gerald Allen.

— MARK LEON GOLDBERG

TRANSCRIPT

Rush Limbaugh, from the January 4, 2005, broadcast of *The Rush Limbaugh Show*: As long as the press and the Democrats out there are gonna accuse everybody of being insensitive—let me—let me raise my hand and try to be called on, here, as insensitive. I gotta tell ya something, folks: Ever since I learned that this number of 3 million homeless back in the '80s was jacked up, made up, amplified, never changes and so forth—then they finally did a homeless census and they found barely 300,000 truly homeless in this country—I have been suspicious of these numbers [of deaths in the tsunamis] from the get-go. First day, 12,000; then 14,000; then 50[,000]. Then 60[,000] then 100[,000] then 140[,000]—there was even a number, 400,000, thrown around out there. And it just—who's verifying this? I mean, has anybody actually asked for a count? Has anybody done a count? Has there been a count? How do we know this?

Michael Savage, from a December 31, 2004, broadcast of *The Savage Nation*: If you are a God-believing, God-fearing person, I am sure at some point you ask yourself, wait a minute: The epicenter of this earthquake and the resulting tidal wave was adjacent to the sex-trade island of Phuket, Thailand ... and then it knocked out many, many regions of Indonesia, some of which are the most vicious recruiting grounds for Islamic terrorists. ... Many of the countries and the areas in these countries that were hit by these tidal waves were hotbeds of radical Islam. Why should we be helping them destroy us? ... We shouldn't be spending a nickel on this, as far as I'm concerned. ... I am sick of being bled to death by every damn incident on the earth.

— Compiled with assistance from Media Matters for America, www.mediamatters.org

MONEY IN THEIR PICKETS

FOR WOMEN VISITING abortion clinics, the picketing presence of fervent abortion opponents can be unsettling. But the staffs of many Planned Parenthood offices have found a way to, if not take refuge from the harassment, at least take something a little more concrete: money.

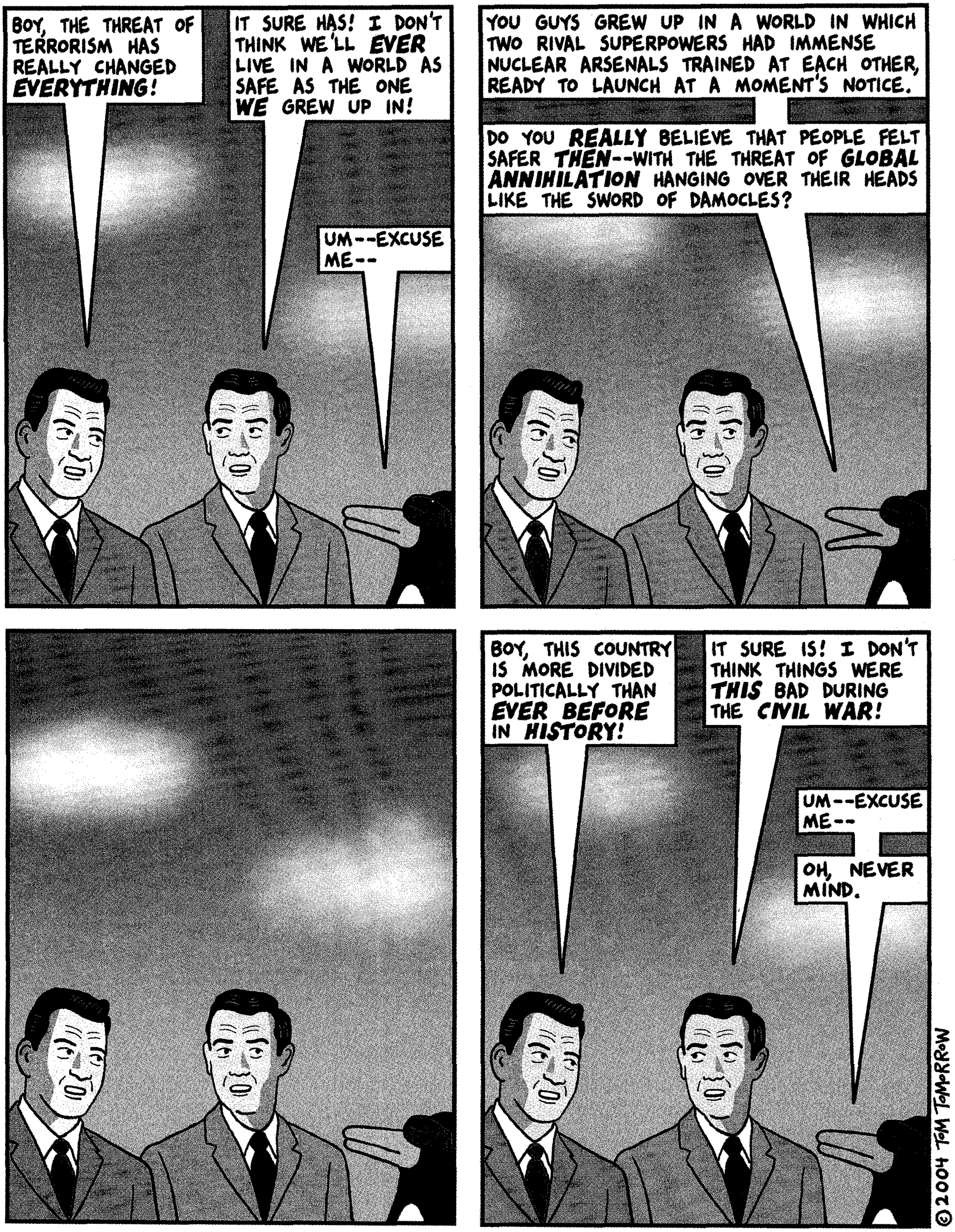
As anti-abortion activists have made their opposition increasingly inescapable, more and more abortion providers have turned to the unorthodox practice of sponsoring their adversaries—sort of. The pledge-a-picket campaign invites Planned Parenthood supporters to donate a fixed amount per picketer, so that each crusader trying to turn back a Planned Parenthood patient adds a few dollars to the clinic's ability to help that patient.

On a recent Wednesday, Trudy Woodson, director of fund raising and public affairs for Planned Parenthood of Central Texas, counted 29 protesters. "That's pretty awesome, considering that it's pouring rain," Woodson told the *Prospect*. "We love 'em; we make money. The more that come, the better it is." When the clinic introduced the program two years ago, a few confused picketers asked to be counted twice, according to the clinic's associate director, Bill Woodson.

There are currently about a dozen centers holding drives, including one in Iowa, where the program was conceived. Although the first pledge-a-picket campaigns were held there in the late 1980s, they've only recently been resurrected. Planned Parenthood of Greater Iowa (PPGI) revived the program last winter partly in response to the opening of an anti-abortion center across the street from its Quad Cities clinic, which is picketed by about 25 or 30 protesters (or "intercessory prayers," depending on which side of the street you ask) each surgical day, according to PPGI's director of marketing and communications, Kerry Koonce.

This season's 45-day drive raised nearly $10,000, but Koonce cites the emotional impact as equally valuable. "It brings a peace of mind to the patients," says Koonce, and may even depress the opposition turnout. "[The picketers] say it's not going to deter them, but I think overall it does." Which is good for the clinic's patients and staff, if not for its ledgers.

— JEFFREY DUBNER


BOY, THE THREAT OF TERRORISM HAS REALLY CHANGED EVERYTHING!
IT SURE HAS! I DON'T THINK WE'LL EVER LIVE IN A WORLD AS SAFE AS THE ONE WE GREW UP IN!
UM--EXCUSE ME--
YOU GUYS GREW UP IN A WORLD IN WHICH TWO RIVAL SUPERPOWERS HAD IMMENSE NUCLEAR ARSENALS TRAINED AT EACH OTHER, READY TO LAUNCH AT A MOMENT'S NOTICE.
DO YOU REALLY BELIEVE THAT PEOPLE FELT SAFER THEN--WITH THE THREAT OF GLOBAL ANNIHILATION HANGING OVER THEIR HEADS LIKE THE SWORD OF DAMOCLES?
BOY, THIS COUNTRY IS MORE DIVIDED POLITICALLY THAN EVER BEFORE IN HISTORY!
IT SURE IS! I DON'T THINK THINGS WERE THIS BAD DURING THE CIVIL WAR!
UM--EXCUSE ME--
OH, NEVER MIND.
©2004 TOM TOMORROW

THE FEDS SAY THEY WANT SCIENTIFIC PROOF THAT MARIJUANA IS MEDICINE.

BUT DO THEY?

Three years ago scientists from the University of Massachusetts and the Multidisciplinary Association for Psychedelic Studies[1] applied to the Drug Enforcement Administration (DEA) for a license to grow a research plot of marijuana.

No response.

A year ago, they asked the DEA for permission to import 10 grams from the Dutch Office of Medicinal Cannabis.

No response.

Then they asked the National Institute on Drug Abuse (NIDA) to sell 10 grams from NIDA's marijuana farm at the University of Mississippi.

Still no response.

The researchers could, of course, get all the marijuana they need from any high school or college campus in the country but that's not legal. NIDA has a monopoly on the supply of marijuana that can be used for research.[2] The Institute seems to be using that monopoly to obstruct the very research they're supposed to be facilitating.

So the scientists are suing the DEA, NIDA, Health and Human Services and the National Institutes of Health for "unreasonable delay" resulting in the obstruction of scientific research.

Science should be in the hands of scientists, not political ideologues.

Common Sense for Drug Policy
www.CommonSenseDrugPolicy.org www.DrugWarFacts.org
Mike Gray, Chair; Robert Field, Co-Chair

[1] For further information contact www.maps.org
[2] NIDA was given a monopoly only on the supply of marijuana and not on any other Schedule I drug.

Dispatches

"Like Reuther, Stern is increasingly a preeminent figure who inspires both admiration and unease within the house of labor."

—PAGE 14

IS MOORE LESS?

Republicans say filmmaker Michael Moore is the gift that keeps on giving. Should the Democrats give him the Sister Souljah treatment?

BY MARK LEON GOLDBERG

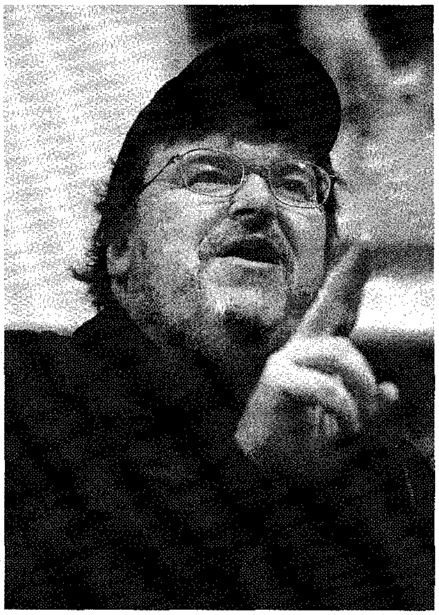
LATE LAST DECEMBER, IN A PARticularly dim installment of end-of-year political punditry, the assembled talking heads on the Sunday-morning *Chris Matthews Show* were debating who deserved the title "biggest noisemaker of 2004." The choices Matthews offered them were Mel Gibson, Jon Stewart, and Michael Moore. Andrew Sullivan mused a bit about Gibson. Then Cokie Roberts voted definitively for Moore.

"Michael Moore, I think, actually had a very major impact—a negative impact—on the Democratic Party," she said, "... because I think he exemplified all of the things people hate about Democrats."

"They don't shave?" joked Matthews.

"His physical appearance did not help," she agreed, "and the fact that [Moore's film] *Fahrenheit 9-11* was a 'Hate America First' movie, and people think that that's what the Democrats stand for. That hurts the Democrats every time."

In the aftermath of the Democrats' defeat, Roberts' line of reasoning has appealed to many a head-scratching liberal trying to make sense of the election results, and plenty have called for Democrats to surrender Moore to the same gods to which Bill Clinton sacrificed the controversial rapper Sister Souljah in 1992. Back then, at a conference of the Reverend Jesse Jackson's Rainbow Coalition, candidate Clinton caused a small ruckus by repudiating earlier comments from Souljah that some had construed as condoning black-on-white violence. The genius of Clinton's rebuke of Souljah was that it was geared not to the assembled black leaders seated in front of him but to moderate whites, who needed to see that Clinton was not some patsy of narrow left-wing interest groups. It was cold, calculated, and effective.



Hold on to Your Hat: Michael Moore last October

But should the same concept be applied to Moore?

"You have to recognize that Clinton was the only non-accidental Democratic president elected in 40 years," one high-ranking Democratic operative told me, suggesting that Jimmy Carter won by virtue of Watergate and Lyndon Johnson by virtue of succeeding a slain president. "With that in mind," he said, "Democrats have to be prepared to recognize the utility of some of the tactics he employed to get into office, including the 'Sister Souljah moment.'"

Of course, "Sister Souljah-ing" Michael Moore would only be tactically useful for Democrats if they can plausibly argue that Moore scares away more voters than he attracts. According to University of Virginia political scientist Larry Sabato, who has been poring over polling data from the election, this remains unclear. "While it is fair to say that he contributed to additional turnout on both sides," Sabato says, "data specifically analyzing the individual impact of Moore does not yet exist."

Perhaps the most thoughtful argument in favor of ousting Moore was offered by Peter Beinart, *The New Republic*'s editor. In his provocative post-election essay, "A Fighting Faith," Beinart argued that voters who prioritized national security emerged as a key voting bloc, and they overwhelmingly broke for George W. Bush over John Kerry. Moore's brand of soft liberalism, Beinart wrote, "casts doubt upon the sincerity of liberals who say they opposed the Iraq war because they wanted to win in Afghanistan first. When Moore says terrorism should be no greater a national concern than car accidents or pneumonia, he makes it harder for liberals to claim that their belief in civil liberties does not imply a diminished vigilance against Al Qaeda."

The Democratic intelligentsia has widely debated the merits of Beinart's argument, and his meta-point—that Democrats need to strengthen their bona fides among voters who prioritize national security—is obviously true. But coming up with a coherent national-security message is a task for the entire Democratic Party apparatus, and it will not go away even if Moore does. "What do

you think did more damage to the Kerry campaign," asked Paul Begala, co-host of CNN's recently canceled *Crossfire* and former Clinton strategist, "Kerry's inability to explain what he meant by, 'I voted for the $87 billion, before I voted against it,' or Moore, who just makes controversial movies? ... To the extent that voters associated Moore's politics with that of the Democratic Party, it is because Democrats are not effectively articulating what it is they actually stand for."

By contrast, the Republican "brand" is strongly recognized, and voters can easily distinguish mainstream Republicanism from its extremist impostures. Ronald Reagan made the distinction clear in 1966, when he mused that the endorsement by the McCarthyite John Birch Society of his candidacy for governor of California meant only that "they're buying my philosophy; I'm not buying theirs." More recently, no one seriously thought that the über-conservative author Ann Coulter represented the views of the Republican Party when she suggested in a column soon after the September 11 attacks that the proper response September 11 was to "invade [Muslim] countries, kill their leaders, and convert them to Christianity."

The Democrats, meanwhile, make no such distinction. Indeed, some Democratic leaders have appeared publicly with Moore, and when he appears with members of the party, it becomes ever more difficult to deny that he, at least in some way, represents them.

Just ask Virginia Schrader, a progressive Democrat who in 2004 narrowly lost the congressional race for the 8th District of Pennsylvania, located in suburban Philadelphia and the Delaware River Valley. Early in her campaign, Schrader hosted a fund-raiser at which she screened *Fahrenheit 9-11*. Months later, as the campaign was getting down to the wire, the Republican National Congressional Committee targeted the district with a flier that read "The Hate America Crowd has found their candidate. Ginny Schrader raised money by showing the anti-American movie Fahrenheit 9-11." The flip side featured a chubby caricature of Moore's face, above which read "Now there's a running mate that will slow you down." The flier was nasty, but effective. Polling data Schrader relayed to the *Prospect* after the race indicated that 12 percent of the flier's recipients claimed to have been affected by it one way or the other. And for 8 percent of those 12 percent, the flier helped persuade them to vote against Schrader.

Of course, it would be naive to assume that a single flier mentioning Michael Moore doomed Schrader's campaign. Still, Democrats have been incautious in associating themselves with Moore. (Indeed, if he were truly selfless about his desire to get Democrats elected, the filmmaker would tattoo "handle with care" on his forehead.)

Shortly after Wesley Clark enthusiastically accepted Moore's endorsement in January 2004, the two took the stage together at a New Hampshire campaign stop. During the rally, Moore leveled the charge that President Bush is a deserter based on the curious gaps in his National Guard service record. The press seized on this statement—after all, desertion is a crime that used to be punishable by death. Clark, perhaps due to his character or his political inexperience (or both), could not bring himself to repudiate Moore. Clark both missed this "Sister Souljah moment" and the opportunity to invoke Reagan's tactical response to the Birchies. By contrast, you'll never see any leading Republican share a podium as Coulter, Sean Hannity, or Rush Limbaugh do their radical-winger routines.

Any negative impact that Moore has had on the Democrats points to one thing for certain: the current Republican political advantage. As Schrader conceded to me, "Michael Moore or no Michael Moore, [the Republicans] were going to do this to me anyway." Begala, who was the author of Clinton's Sister Souljah speech, echoes that sentiment. "People who blame this election on Moore are using him as a cop-out for the kind of soul searching that Democrats need to do," he says. "It's like that Gil Scott-Heron song [that goes], 'If you stand for nothing, you'll fall for anything.'" And that's a predicament not easily solved by simply denouncing the politics of a single filmmaker. **TAP**

NEW LABOR?

The recent, extraordinary challenges to AFL-CIO President John Sweeney could have the house of labor rearranging its furniture soon.

BY HAROLD MEYERSON

FOR A LIFE-AND-DEATH DEBATE about the future of the labor movement, the current conflict over the structure and role of America's unions got off to a singularly inauspicious start. A week and a day after John Kerry's—and the unions'—defeat at the hands of George W. Bush, the Executive Council of the AFL-CIO convened in Washington for a postmortem. The day had been filled with staff reports—federation operatives briefing the assembled union presidents on the details of the election-day program, by far the most extensive in labor's history. ("You'd have thought we won," one union president commented when the meeting was done.)

Only at the end of the day did AFL-CIO President John Sweeney turn to the president of the federation's largest affiliate—Andy Stern, of the 1.6 million-member Service Employees International Union (SEIU)—for new business. In his allotted 10 minutes, Stern laid out a series of radical proposals. Like everyone in the room, Stern knew that labor's effort for Kerry had come up short not due to deficiencies in its political program, but in good part because there simply aren't enough union members anymore to turn an election. And so Stern called for rebating half of the affiliates' dues payments to the AFL-CIO back to the member unions so they could increase their organizing—a move that would greatly reduce, of course, the size of the federation's staff and the scope of its work.

Labor's plight was so dire, Stern argued, that it no longer had the luxury of funding many projects outside organizing and politics. Nor could the movement afford to have multiple unions fighting over the few relatively organizable employers while vast sectors of the economy were never approached by unions at all. To that end, he called for consolidating the federation's 58 member unions—most of them too small to embark on serious organizing—down to roughly 20, each with a clear responsibility for a defined sector of the economy.

It was a huge proposal, but for a time it almost got lost in the surrounding hubbub. The SEIU was already aligned with UNITE-HERE (the clothing and hotel workers union), the Laborers, and the Carpenters. These four unions had shifted resources into organizing and had expressed frustration that the AFL-CIO had been unable to get other unions to follow suit. But Stern's proposal came as a surprise to his allies, as did his announcement to the press at the meeting's conclusion that the SEIU was establishing a committee to look at the implications of leaving the federation if it didn't embrace these changes.

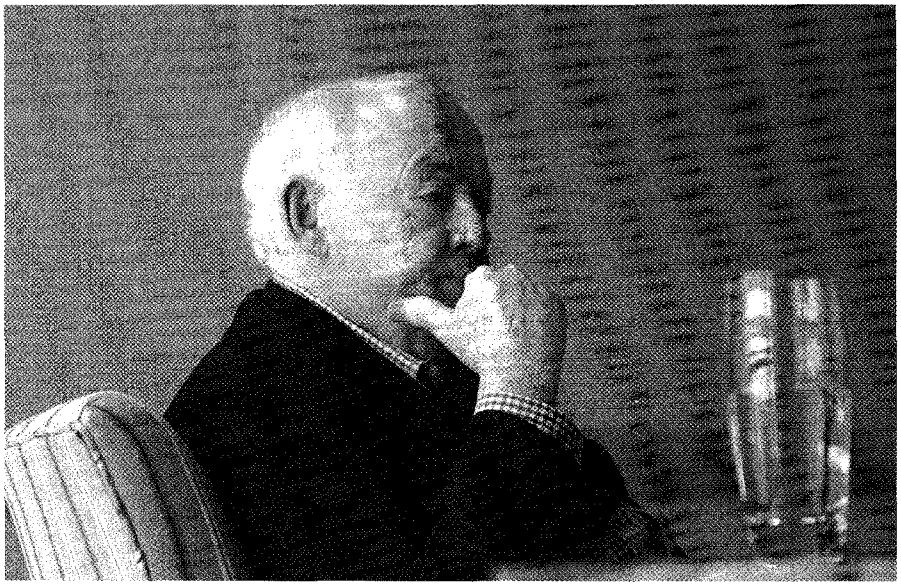
If Stern's fellow presidents were steamed at him for springing his proposals upon them, though, a number were equally steamed at Sweeney for allotting Stern just 10 minutes to present them—and no time at all to discuss them. "Even though Andy has a lot of enemies, the avoidance of any discussion pissed people off," said one leading unionist who has not been allied with Stern.

The absence of discussion fed a concern that had been growing among union presidents of all tendencies: that the AFL-CIO had taken on a bureaucratic life of its own that its "board of directors"—the presidents of the unions whose dues sustained it—was increasingly unable to control. Rather than afford the presidents the opportunity to discuss labor's myriad challenges, wrote Firefighter President Harold Schaitberger in a recent critique of AFL-CIO practices, "council meetings effectively became a reporting mechanism for AFL-CIO Officers and staff to inform and overwhelm affiliate unions with paper." And so, between union leaders' frustrations with both the impulsive Stern and the overscripted Sweeney, the debate over labor's future was off to a rocky start.

IN CONTRAST TO LABOR'S LAST UPheaval, the revolt against longtime AFL-CIO President Lane Kirkland that erupted in the wake of the Republicans' 1994 takeover of Congress, the challenge to Sweeney is far more complex. His successes during his decade as federation president are considerable. On his watch, labor's get-out-the-vote program became the model for other political institutions, the Republican Party included. Labor's share of the electorate rose from an anemic 14 percent in 1994 to 26 percent in 2000. Under Sweeney's guidance, labor became the linchpin of liberal coalition politics (a role to which Kirkland had been singularly indifferent). Unions also rose in public esteem; college students went to work for them as they had not since the 1930s. In everything but its membership numbers, the movement had turned things around.

But it's the membership numbers that matter. By 2004, unions had dwindled to less than 13 percent of the workforce, and just 8 percent in the private sector. In southern California, supermarket clerks were forced to accept lower pay and fewer health benefits for new hires. Nationally, airline employees lost pensions and paychecks. Seven or eight unions persisted in serious organizing campaigns, but the majority of the federation's unions had in essence given up. Sweeney had tried to bolster organizing by inviting smaller unions to merge, and through educational campaigns. But his efforts had been largely rebuffed.

Then came November's election. For all the AFL-CIO's efforts, the labor share of the overall electorate declined from 26 percent in 2000 to 24 percent. And despite the tensions between Stern and many of his peers, his fellow union leaders have over the past month come around to his fundamental point: that labor has to radically increase its organizing or it will no longer be able to deliver for working-class Americans.



Glass Half Empty?: John Sweeney will seek reelection, but there is dissension within the ranks.

AP/WIDE WORLD PHOTO

In early December, the Teamsters put forth their own agenda for change—in essence, a version of Stern's reforms more likely to appeal to the union presidents whose votes would be needed to enact them. That plan called for a 50-percent reduction in dues for those unions doing a significant level of organizing in their core industries—and, by withholding rebates from unions too small to undertake serious organizing, they intended to foster mergers by means less coercive than the federation fiat, which the SEIU at times had seemed to advocate. They called for altering the federation's rules to prohibit unions from straying into other

unions' core jurisdictions, and they called for reducing the size and increasing the power of the AFL-CIO's Executive Council and its other governing bodies.

In the past few weeks, a number of the federation's larger unions have embraced versions of these changes. The AFL-CIO's second largest union, the American Federation of State, County and Municipal Employees, has discussed proposals for re-allocating the movement's resources into organizing. Two other major unions—the American Federation of Teachers and the Communications Workers of America—have put forth papers that distinctly refrain from calling for any cuts in the AFL-CIO's budget and operations. But at a January 10 Executive Committee meeting, it became apparent that presidents of unions whose members comprise at least half of the AFL-CIO's total membership (and federation policy is determined by unions' voting their numerical strength) favored this kind of shift of resources (though many want to increase the federation's political budget, too). The level of support for encouraging—but not mandating—strategic mergers was considerable as well.

Who, exactly, would implement such changes remains a mystery. Sweeney's term as president is over at the upcoming AFL-CIO convention this July, and he has announced his intention to run again. A number of presidents are concerned that the 70-year-old Sweeney and his senior staff cannot plausibly lead the kind of federation shake-up they support, even if Sweeney embraces its tenets. "Sweeney is a master of absorbing proposals from his left," says one union leader. But if the leaders are looking for a more plausible change agent, there are other unionists whose names continually come up. UNITE-HERE Co-President John Wilhelm's is the most commonly mentioned, though Wilhelm has not been campaigning for the job. Linked with his UNITE-HERE Co-President Bruce Raynor and with Stern as among the most progressive and intellectual of union chiefs, though, Wilhelm may not be the figure with whom some union leaders feel most comfortable. "There's a resentment that's cultural as much as anything else," says one union veteran. Two other leaders who don't face that problem are Laborers President Terry O'Sullivan and AFL-CIO Secretary-Treasurer Rich Trumka.

The federation's Executive Council convenes in Las Vegas at the beginning of March, where it should become clearer whether the movement will direct more resources into organizing, whether Sweeney will face challenges, and whether the SEIU will decide to stay or go off to build its own federation. (The SEIU has already embarked on an ambitious program overseas to help organize global corporations.) Like Walter Reuther's United Auto Workers, which in 1968 withdrew from the AFL-CIO for more than a decade, the SEIU has the strength and élan to go it alone—which it might have to, because even its closest allies could encounter a sea of troubles if they disaffiliated. Like Reuther, Stern is increasingly a preeminent figure in liberal America who inspires both admiration and unease within the house of labor. What it will mean if the SEIU sets up shop outside that house is, for now, anybody's guess. **TAP**

BREACH OF FAITH

Muslims and Christian conservatives are both deeply religious. But since last November, that's the only thing they have in common.

BY SARAH WILDMAN

At the Muslim Al-Noor School in Brooklyn, New York, all girls wear the *hijab*. Heads covered with white cloth scarves fill the classrooms, and long blue or green robes hide any Western-style clothing worn underneath. A few are shrouded beyond what's mandatory, wearing chador-style coverings that expose only the eyes, but the robes and headscarves do little to suppress the very New York accents that bubble through the halls as the girls giggle and talk about school and sports and friends.

Before the election, 20 journalists were invited to Al-Noor to hear students and administrators reflect on living as practicing Muslims in America. The principal, Nidal Abuasi, told the group that the school's teen-pregnancy rate is between 1 percent and 2 percent—all among girls who marry before they graduate. Otherwise it is zero.

A few years ago, such a conservative religious institution would not have interested Democrats. Much has changed. In 2000, 31 percent of America's 6 million Muslims voted for Al Gore; in 2004, more than three-quarters voted for John Kerry. What has shifted is not the community but the way its members perceive their interests: Before September 11, natural conservatism pulled them toward the Republicans; after the attacks and the Bush administration responses, domestically and abroad, American Muslims saw themselves oppressed by the very conservatism that had once appealed to them.

"There was a lot of talk in this election about values," says Ingrid Mattson, director of the Islamic Chaplaincy Program at Hartford Seminary in Connecticut and vice president of the Islamic Society of North America. Pointing out that American Muslims are generally thought to be conservative on abortion and gay rights, she says this time around these voters were asking themselves, "Is it better to be in an alliance that, say, includes activists for gay rights, or to be [in] an alliance with, say, Christians who support putting more religion in the classroom or faith-based initiatives? ... [A] few years ago, they thought [the latter] was a natural alliance, that those talking about religion embraced pluralism of religions in America. But I think a lot of people realize now that is not necessarily the case, so there has been a shift."

In late October, Georgetown University's Project MAPS (Muslims in the American Public Square) published a Zogby poll that showed Muslims making dra-

matic shifts away from the Republican Party. "On morality and religion and family and marriage, [Muslim] opinion is very much conservative," says Zahid Bukhari, the project's director. "However, on universal health care, welfare, [helping] the inner city ... they are very Democratic. So the community is difficult to pigeonhole." And this time around, Bukhari says, yet another set of values trumped all. "[T]he overarching concern for Muslims," he says, "[was] domestic: civil liberties, harassment, the banning of Muslim organizations, and fear."

Fear was evident in the classrooms and at a school assembly, when the girls of Al-Noor School talked about being called "terrorists" after the September 11 attacks. Some revealed that they had transferred to this school to find a haven from schoolyards where a headscarf or a Muslim name was grounds for taunting or physical violence. Adding to the community's anxiety were the PATRIOT Act and Special Registration (required of aliens from 25 countries, 24 of which are predominantly Muslim or Arab), not to mention news from Guantanamo Bay, the war in Iraq, and the human-rights abuses at Abu Ghraib. Nor did it help that neoconservatives, whose enthusiasm for invading Iraq, Iran, and other Muslim countries is well-known, dominated the administration's foreign policy.

Plus, post–9-11, American public opinion had taken on an anti-Muslim tilt. A new study from Cornell University published in mid-December found that 44 percent of Americans believe civil liberties for Muslims should be cut back in some way; 27 percent, meanwhile, feel that all Muslims should be required to register with the federal government, and a similar percentage support federal surveillance of all mosques.

All these elements helped flip the Muslim vote from 42 percent for Bush in 2000—and higher when you break out the more traditionally Democratic African-American Muslims from the pack—to between 72 percent and 90 percent for Kerry. "I did not vote for Gore, but not for Bush either," says Maysoon Zayid a Muslim Palestinian-American comic who lives in New Jersey, of the 2000 election. "But in this election I was a staunch Kerry supporter." Zayid, who as part of her stand-up routine thanks the Justice Department for assembling eligible Arab men in one place, says she was upset and "hysterical" the night of the election. A second Bush Junior administration, she says, is a "very frightening prospect for Arab Americans and Muslim Americans."

For the moment, Muslims are seeing the Republicans as the party for white Christians, liberal only with civil-liberties violations. The Cornell study of American attitudes toward Muslims, civil liberties, and Islam found that religious Christian voters support restricting the freedom of American Muslims even more than the general population. Does it make sense "[f]or Muslims to support a party predominantly controlled by the evangelical Christian right or by neocons?" asks Mukit Hossain, founder of the Muslim American Political Action Committee, a national Muslim group that endorsed Kerry. "[T]here is nothing for Muslims there now." He is seconded by the Council of American Islamic Relations' Mohammed Nimer, author of *The North American Muslim Resource Guide*, who says, "With so much anti-Muslim expression and rhetoric in conservative ranks, it would be hard to see how any sizeable Muslim constituency can comfortably identify itself as Republican."

But while Muslims voted as a group in 2004, Democrats can't assume this community will remain firmly their camp. Some, like Jim Zogby at the Arab American Institute, dismiss the appearance of a voting block as a onetime anti-Bush event. And Amaney Jamal, an assistant professor of politics at Princeton University, says American Muslims remain fairly disappointed in and uneasy about the Democrats. "Kerry did very, very, very little to embrace the Muslim and Arab American vote," says Jamal, and "the Muslim community was very upset with this." It was a weakness the Bush campaign tried to exploit, with last-ditch efforts to meet with Muslims in swing states like Michigan.

It's possible, of course, that once the political climate changes, American Muslim voters will find themselves once again allied with political conservatives. Or, when the anti-Bush spirit dissipates, they may simply decide that neither party represents them and focus on community rather than national politics. "In 2004 you did see Muslims really turn out in huge numbers," says Jamal. "But [eventually] they may opt not to participate at all." TAP

***Sarah Wildman** is a* Prospect *senior correspondent.*

MAN-MADE DISASTERS

The tragic tsunamis exposed the propagandistic ways of Asia's authoritarian regimes—habits the Bush administration has ignored.

BY JOSHUA KURLANTZICK

BANGKOK, THAILAND —

ON DECEMBER 26, WHEN THE tsunamis struck Asia, I was in Thailand. Like nearly everyone in Bangkok, I turned to any television I could find. The local Thai channels captured the breadth of the devastation, showing grim photos of southern beaches that looked like someone had swept away all the vegetation and human life with a fine comb. Clearly stunned by the magnitude, Thai and foreign newscasters called the giant waves a once-in-a-lifetime event.

In many ways, they were—a catastrophe of biblical scale unmatched by any recent natural disaster. When I flew down to southern Thailand to see for myself, I found an entire region in mourning, Thais rushing to the beaches to search for loved ones or following the news, shocked and dazed, like Americans in the wake of September 11 or John F. Kennedy's assassination.

But in some respects, the event seemed familiar to me. Shortly after the

tsunamis hit, conflicting rumors swirled throughout Thailand about the extent of the devastation, and the initial Thai relief effort was uncoordinated and chaotic. The national civil-defense organization seemed unable to make decisions about how to allocate relief resources. Worse, the Thai press was soon reporting that the government knew, roughly an hour before the tsunamis hit, that the earthquake in nearby Indonesia might cause seismic sea waves. Yet Bangkok had chosen not to issue an evacuation warning for the southern beaches.

All this reminded me of a visit I'd made to Thailand the previous year, when the country was threatened by a major outbreak of avian (bird) flu, which was spreading across Asia at the time. As with the tsunamis—and with the previous SARS epidemic in 2003—Thailand's increasingly authoritarian government, run by Prime Minister Thaksin Shinawatra, initially denied that anything was wrong. Thailand's neutered press and civil society, threatened by the government and co-opted by Thaksin, whose family has bought into important media outlets, essentially played along with the bird-flu cover-up. Civil servants also said little, even as the crisis worsened. (Over the last four years, Thaksin has replaced or retired most independent thinkers in the government.) And even when the government began to admit the scope of the virus (after several Thai children had already died), Thaksin had created such a culture of top-down rule that important officials seemed paralyzed, unable to decisively launch a cull of potentially infected birds.

Thailand is hardly unique. Over the past five years, many Asian governments have become more authoritarian—sometimes with the tacit acceptance of the White House, which has prioritized counterterrorism cooperation over human rights among its Asian allies. And in the wake of the tsunamis, the flaws of these pseudo-authoritarian regimes—secrecy, a lack of accountability for their mismanagement, which results in poor decision-making—have spelled disaster for their people.

In Thailand, the United States has said far too little about Thaksin's abuses. In Malaysia, since September 11, 2001, the country's long-ruling United Malays National Organisation party has utilized a law called the Internal Security Act, which allows detention without charge, to crack down on the leading opposition party, Parti Islam Se-Malaysia. The White House has not seriously condemned Malaysia's use of the law, instead praising the Malaysians for their counterterrorism cooperation. In Burma (aka Myanmar), the thuggish, totalitarian regime recently extended the house arrest of pro-democracy opposition leader Aung San Suu Kyi.

In Pakistan, meanwhile, General Pervez Musharaff has rolled back the limited democratic gains made in the 1990s, appointing himself to another term as army chief—essentially extending his term as de facto dictator. Washington has rewarded this behavior by offering Pakistan the title of major non-NATO ally and authorizing a new package of arms sales to Islamabad. And in Indonesia, the government had allowed the army to pursue a scorched-earth campaign in the province of Aceh, destroying whole civilian populations while battling an insurgent group. Overall, in fact, Amnesty International reports that evidence shows human-rights abuses are on the rise in Asia primarily among those nations allied with the United States in the war on terrorism.

Washington has said little about this creeping Asian authoritarianism, but a disaster—whether tsunamis, bird flu, or SARS—tears down facades. In Burma, a country with more than 1,500 miles of coastline, the government barred journalists, sealed its coastline, and blocked aid workers from surveying the ruins, perhaps worried that the damage would make the government seem vulnerable. *The New Light of Myanmar*, the junta's state newspaper, reported shortly after the disaster that Burma's beaches were still "thronged with vacationers." (One foreign journalist, from the *London Sunday Telegraph*, happened to be in Burma at the time; he reported Burmese fishermen watching home after home ripped away into the water.) In China, the regime covered up the extent of its SARS crisis, contributing to SARS deaths across the world, as the disease spread from country to country. And in Indonesia, while individual relief workers performed Herculean tasks in the wake of the tsunamis, the local press reported that the army was continuing its offensive in Aceh, even as the devastated province recovered from the disaster.

In Thailand, Thaksin ordered an investigation into the initial tsunami response, but few Thais believed any culprits would be punished beyond the head of the Meteorological Department (which might have provided a warning), who was transferred. Thaksin had previously ordered investigations into other government missteps like the bird-flu crisis without ever holding anyone accountable. After all, the real culprit was Thaksin himself, who'd neutered the kind of independent thinking necessary to respond to crises. Officials were "worried about possible negative feedback from certain quarters," noted Suthichai Yoon, head of the Nation Group of publications, a Thai publishing group, explaining why Thailand had not issued a tsunami warning.

By comparison, the region's democratic countries, though still devastated by this force of nature, at least were responsible in their responses. In India, the disaster produced a ferment of anger in the press, and the population at large, over whether unregulated coastal construction and the destruction of wetland environment exacerbated the deadly impact of the waves. In ruined Sri Lanka, the government handed over some authority for relief work to the Tamil Tigers, the major rebel insurgent group; under the circumstances, this was best for the Sri Lankan people, as the Tigers controlled many areas and could best get supplies to populations.

Such a consideration of the people's best interest would have been anathema in a nation like China—or even, perhaps, in Thailand. But those long-term downsides don't seem to bother the White House. **TAP**

Joshua Kurlantzick *is* The New Republic*'s foreign editor.*

State Corporate-Tax Follies

BY ROBERT S. McINTYRE

IF YOU'RE UNHAPPY WITH THE MESS GEORGE W. Bush has made of the federal corporate income tax, you'll be less happy to learn that things are even worse in the states. Last September, my group published a study showing that America's biggest and most profitable corporations now shelter more than half of their U.S. profits from federal income taxes. We've since taken a hard look at what corporations pay in state income taxes—and yikes!

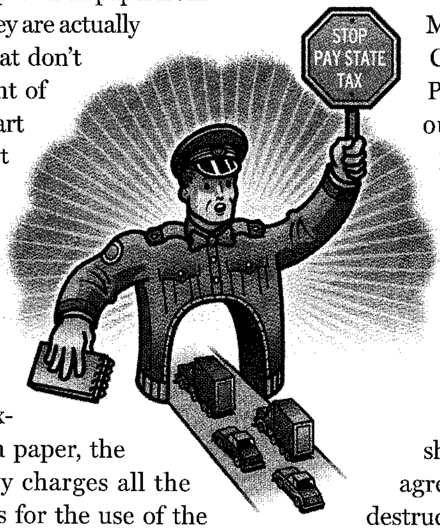
Of the 275 *Fortune 500* corporations in our federal study, 252 disclosed their state income-tax payments. By 2003, these companies had slashed these payments to only 2.3 percent of their U.S. profits. That means that two-thirds of their profits escaped state taxes entirely.

A shocking 71 of the 252 companies managed to pay no state income tax at all in at least one year from 2001 through 2003—despite telling their shareholders that they made $86 billion in pretax U.S. profits in those no-tax years. Some companies—such as Toys "R" Us, Boeing, AT&T, Eli Lilly, Merrill Lynch, and ITT Industries—paid no state corporate income tax over the entire three-year period.

How do big corporations get away with paying so little in state income taxes? The federal government deserves much of the blame. Most states use federal taxable income as their starting point for computing state corporate taxes. Because the companies in our survey reported less than half their U.S. profits to the Internal Revenue Service, the states are far behind from the outset.

But federal loopholes are just the beginning. Like their federal counterparts, state elected officials have trouble resisting corporate pleas for tax concessions in the name of "economic development." North Carolina, for example, just agreed to give up more than $230 million in corporate-tax receipts to attract a $100 million Dell computer plant. One study found that in 1998, states provided tax "incentives" that wiped out almost a third of the income taxes they otherwise would have collected from manufacturers (versus a 10-percent loss in 1990). Since then, state corporate-tax giveaways have continued to proliferate.

Besides extorting state tax breaks, big companies have also become increasingly adept at shifting their profits on paper from the states in which they are actually earned into states that don't tax them. This sleight of hand is enabled in part by the fact that most states treat a company's subsidiaries as separate entities for tax purposes. Zero-state-tax Toys "R" Us, for example, has transferred its logos and trademarks to tax-haven Delaware. On paper, the Delaware subsidiary charges all the stores hefty royalties for the use of the Toys "R" Us name. Those royalties are tax deductible in the states where Toys "R" Us makes its profits, while the royalty income is tax-exempt in Delaware. Court cases reveal that Kohl's Department Stores, Sherwin-Williams, and other low-state-tax firms also use this loophole.



Some Texas-based corporations—including SBC Communications and Dell—have transferred ownership of their Texas operations to Delaware partnerships to take advantage of a foolish Texas comptroller ruling that this scheme prohibits Texas from taxing most of their income. SBC paid less than 1 percent in state income taxes on its $31 billion in 2001–03 profits—and paid nothing at all in 2003.

What can states do to fix their corporate-tax problem? Calling on the federal government to clean up its act is one obvious approach, but that's probably fruitless these days. Treasury Secretary John Snow captured the Republican mood in Washington last December when he said that the only limit President Bush will place on new corporate-tax loopholes in his upcoming tax-deform program will be to try to avoid "negative income taxes."

But there are some useful steps states can take on their own. For instance, states can curb the Toys "R" Us loophole by treating a company's various parts as a single company, as California and 15 other states do. They also can address the issue of "nowhere income"—profits that aren't taxed by any state. Half of the states already make an effort to do so.

Most important, as Michael Mazerov of the Center on Budget and Policy Priorities points out, "When you find yourself in a hole, the first thing you need to do is stop digging." Chasing after businesses by fighting over who can give the largest tax concessions is a zero-sum game. States should get together and agree to stop this futile, destructive competition.

State corporate income taxes can be a progressive—and popular—way to pay for needed state programs. They ought to be revitalized, not gutted. TAP

Robert S. McIntyre is the director of Citizens for Tax Justice.

PETER HOEY

Unusual Suspects

What happened to the women held at Abu Ghraib? The government isn't talking. But some of the women are.

BY TARA McKELVEY

ON THE MORNING OF SEPTEMBER 24, 2003—FIVE weeks after the suicide bombing of a United Nations compound in Baghdad killed 23 people, including top envoy Sergio Vieira de Mello, signaling an intensified phase of Iraqi insurgency—a group of American soldiers burst into Selwa's villa near the banks of the Tigris River in Samarra, Iraq. Samarra, at the time, was under siege; after the team burst in, one of the soldiers pointed his rifle at Selwa (she asked me to use a pseudonym), a 55-year-old wife and mother, and her daughters and grandchildren began screaming. She, and everyone in the villa, was terrified—and with good reason. The soldiers had raided their house exactly four months earlier, and she remembered vividly what had happened that night.

On May 24, 2003, three weeks after George W. Bush had declared that major combat operations in Iraq were over, the soldiers stormed across the villa's marble floors, rifled through family photographs, and searched inside a French cabinet. They confiscated the family's life savings—$315,000 in U.S. dollars and $12,000 in Iraqi dinar—and then seized Selwa's husband, Saddan, who had been trained as a mechanic and, under Saddam Hussein, had risen through the Ministry of Commerce ranks until he became a director. Ever since his arrest, Selwa had lived in fear that the soldiers would come back to interrogate her or search the house again. But she never suspected they'd take her away, too. "My daughter started shouting and screaming, 'Why are you taking my mother? You took my father!'" Selwa remembers.

On a recent December evening, 14 months after she was arrested, she sits in a room in Le Royal Hotel in Amman, Jordan. Warm and outgoing, she quickly puts me at ease. Wearing a stylish black jacket and dripping with gold and jewels, she looks like the kind of woman you might see in a specialty food store on New York's Upper West Side, bustling around the place and filling her basket with spicy sausages and boxes of tea. She has creamy skin and hazel eyes, and she appears rested despite the fact that, two days earlier, she had embarked on a risky journey through war-torn Iraq to meet me in Amman. She tried to come to Jordan directly, but she found the Jordanian border closed in the wake of a recent explosion. So she drove to the Syrian border, which was also closed, and spent the night. The next day, she made it here.

"The soldiers put me in a Hummer and took me to a police station," she continues, recalling the events of September 2003. "An American and an Egyptian translator interrogated me. They asked, 'Do you know any insurgents?' I said, 'No.' They said, 'Where did you get your money?' I said, 'We have chicken and sheep farms and property.' They said, 'You have something to hide. You are giving money to the resistance. Tell us the truth.'"

Several days later, she was taken in "flexicuffs," or plastic handcuffs, to a detention facility in Tikrit, 100 miles northwest of Baghdad, where approximately 700 male Iraqi prisoners were living in desert tents. After she arrived, she says, soldiers and guards forced her and other prisoners to crouch on the ground with their arms above their heads in 100-degree weather: "They told us, 'You are cowards. You are Saddam's children. You are fighting against the Americans.' If we complained, they said, 'Shut up. Put your face against the wall.'"

The next day, a stocky American officer in boots and a T-shirt told Selwa she was responsible for the disposal of waste. As a former detainee told Human Rights First senior associate Ken Hurwitz during an interview last August, this is a ritual that serves purposes both utilitarian and penal: Human waste is dumped in metal containers, mixed with lighter fluid, and set on fire. Detainees are forced to stir the mixture to speed its dissipation. It's a wretched job, done in shifts by young men and boys, and the stench is overwhelming.

That afternoon, the American officer lit a mixture of human feces and urine in a metal container and gave Selwa a heavy club to stir it. She recalls, "The fire from the pot felt very strong on my face." She leans forward and sweeps her hands through the air to show how she stirred the excrement. "I became very tired," she says. "I told the sergeant I couldn't do it."

"There was another man close to us. The sergeant came up to me and whispered in my ear, 'If you don't, I will tell one of the soldiers to fuck you.'"

She looks down at the floor.

"It is a shame on them," says Riva Khoshaba, a 28-year-old

AP/WIDE WORLD PHOTO

Assyrian American lawyer who was born in Iraq. She is sitting across the table in the Amman hotel and looking sympathetically at Selwa. "Not on you."

Selwa closes her eyes and nods her head, trying to show that she is listening. But it's almost as though she is sitting at a table far away and can hear Khoshaba's words but can't make out their meaning. Selwa nods again and sinks back into her chair.

"I said, 'I will go on.' I stirred for two hours," Selwa says. "Then I fainted."

For Selwa, it was only the beginning of a nightmarish journey. In early October of 2003, she was strip-searched and given an ID bracelet and a prisoner number. She had arrived at Abu Ghraib.

In the barrels of newsprint that have been devoted to Abu Ghraib since *60 Minutes II* released the now-infamous photos on April 28, 2004, one aspect of the story has received scant attention in the American media: the detention of women. The liberation of women in Iraq and (especially) Afghanistan has been, at times, a major talking point for Bush administration officials as they have touted the successes of their war on terrorism in the Middle East. Yet in Iraq, the benefits of a free society have eluded at least part of the female population.

Forty-two women have been held at Abu Ghraib, according to a U.S. Department of Defense statement provided at the request of a U.S. senator and forwarded to me, though none are interned there now. (Many of the women were released in May, shortly after the scandal broke, and the last woman was let go in July.) Overall, 90 women have been held in various detention facilities in Iraq since August 2003, says Barry Johnson, a public-affairs officer for detainee operations for the Multi-National Force, the official name of the U.S.-led forces in Iraq, speaking on a cell phone from Baghdad. Two "high-value" female detainees are now being held, he says. More women may be in captivity, he adds, explaining that "units can capture and keep them up to 14 days." In addition, approximately 60 children, or "juveniles," are being held.

Some women and children are picked up because they're a "security threat," Johnson says. And some women are detained because they're the sisters, wives, or girlfriends of suspected insurgents—that is, because the military thinks these women might provide information on the insurgency. But this practice, like the instances of torture exposed last year, violates the Geneva Conventions, which stipulate that no one can "be punished for an offense he or she has not personally committed." In one such incident, a 28-year-old mother of three, including the 6-month-old baby she was nursing, was captured on May 9, 2004. The American Civil Liberties Union obtained a memo in which a former Defense Intelligence Agency officer described her detainment as a violation of the Geneva Conventions.

The treatment of civilian women by American forces is a charged issue for Iraqis—and especially for those who oppose the American presence. The terrorists who kidnapped CARE International Director Margaret Hassan, for example, demanded the release of women held by U.S. and coalition forces. Hassan is now believed to be dead. Women and children have been reluctant to speak to American journalists, which is one reason their internment has received little attention in the U.S. media. Recently, though, some have begun to step forward.

"Let people know what happened to us," says Victoria, a 54-year-old former bank director, on the phone from her home in the al-Dora section of Baghdad. She and Selwa, and about a dozen other women, were held together in close quarters at Abu Ghraib and other detention facilities. During my trip to Amman in early December 2004, and in later telephone conversations, I spoke with four of these women. I also spoke with six men who were held at Abu Ghraib and elsewhere and had witnessed, overheard, or claimed they knew about instances of women being abused.

Seven of the people I interviewed are plaintiffs in a pair of class-action lawsuits brought by a group of American attorneys, including Khoshaba, working with the left-leaning, New York-based Center for Constitutional Rights, against two private companies, the San Diego-based Titan Corporation, which hired translators who worked at Abu Ghraib, and the Virginia-based CACI International Inc., which provided interrogators. Three of the people I interviewed are not part of the lawsuits. (The suits seek redress for all detainees, not just women.)

Relying on the Alien Tort Claims Act of 1789 and the Racketeer Influenced and Corrupt Organizations Act (RICO) of 1970, the suits, one aimed at each company, seek damages on behalf of detainees. The Alien Tort Claims Act has been used by human-rights groups seeking to hold U.S. corporations accountable for activity in countries with lax judicial systems. The RICO claim is novel—the suits' detractors would use a less charitable adjective—and asserts that the abuses allegedly committed by employees constitute a pattern of racketeering activity. In February or March, a California federal court judge will decide whether or not he will hear the case. The contractors were, of course, "under the operational control and direction of the U.S. military," according to a July 29 statement by CACI (pronounced "khaki"). A classified report by U.S. Navy Vice Admiral Albert Church on interrogation techniques has reportedly been completed and is supposed to be released in the next few weeks.

Titan's vice president of corporate communications, Ralph "Wil" Williams, told me he would not speak publicly about the lawsuit, as did CACI International's lead counsel, Steptoe & Johnson partner J. William Koegel Jr. In the past, Williams has said, "We believe the lawsuit to be frivolous, and we will defend ourselves against it vigorously." And last July 27, the day the suit against CACI was filed in federal court in Washington, the company issued a statement reading, "CACI rejects and denies the allegations of the suit as being a malicious and farcical recitation of false statements and intentional distortions." According to the statement, "Neither the company nor any of its employees has been charged with any wrongdoing or illegal acts relating to any work in Iraq."

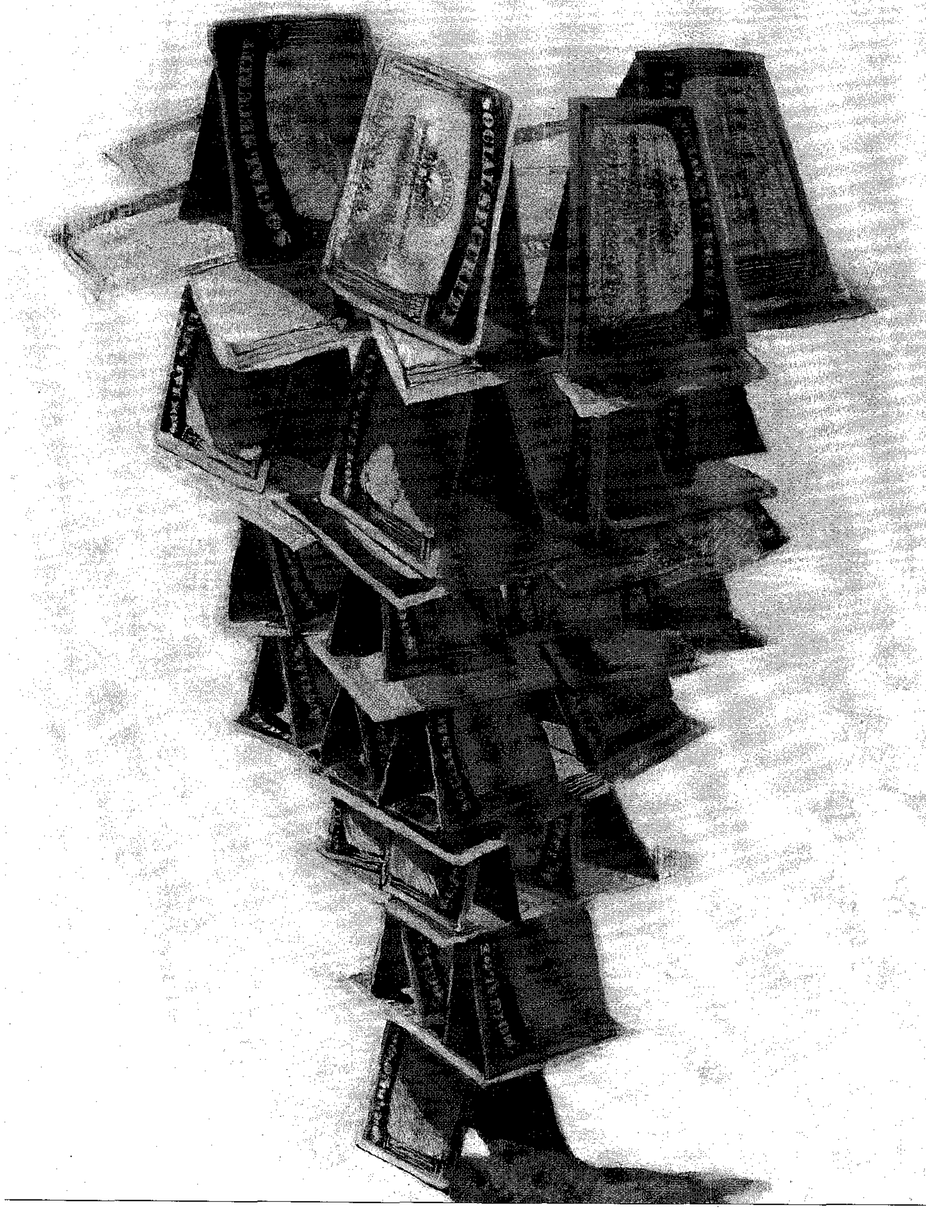
Susan L. Burke, a partner in the Philadelphia law firm Montgomery, McCracken, Walker & Rhoads and one of the lead lawyers in the case, says she first heard about prisoner

Continued on page 21

THE AMERICAN Prospect

Bush's house of CARDS

The privatization fraud



McDAVID HENDERSON

We gratefully acknowledge the cosponsorship of the Century Foundation, the Campaign for America's Future, and the Economic Policy Institute. Moving Ideas, a project of The American Prospect, *offers further resources about Social Security at www.movingideas.org/content/en/report_content/social_security.htm.*

Why We Need Social Security

It has radically reduced poverty in old age. And it protects the middle class against inflation and the ups and downs of the market.

BY PAUL STARR

FOR NEARLY THREE-QUARTERS OF a century, Americans have taken Social Security for granted. Now we had better learn how it works, what it has done, and what the true facts are regarding its future—or else we are going to lose it.

Superficially, Social Security resembles traditional employer pensions: Americans pay into the system during their working years and receive a monthly pension during retirement. But the differences are fundamental. Social Security benefits are based on a balancing of two principles: equity and adequacy. Equity means that what you put in is related to what you get out; in other words, workers with higher wages, who pay more into the system, receive higher benefits later on. But under the principle of adequacy, the Social Security benefit formula overlooks years of low earnings (for example, when a worker may have been disabled or unemployed), and it replaces a higher proportion of earnings for the poor than for the rich. That's why it's our most successful anti-poverty program. In addition, Social Security benefits are indexed against inflation and protected from the ups and downs of the economy and financial markets. That's why the program provides security for the middle class.

Privatization would do away with the idea of guaranteeing a minimally adequate income for the elderly who have worked all their lives. From their own earnings, low-wage workers would be unlikely to generate enough funds in an individual account to maintain a decent standard of living in retirement. Even middle-class workers would be at greater risk of poverty in old age. It's intrinsic to financial markets that they yield unequal returns; many of those who did badly with their individual accounts wouldn't have enough from other sources to live on. And markets fluctuate: Some generations would retire during one of the long downturns that periodically hit the markets, when their investments would be convertible only into paltry annuities. Those who lived into their 80s or 90s would be especially likely to outlast their individual accounts, or, if they had bought annuities at retirement, see those annuities

Still valued after all these years

severely eroded by inflation.

The elderly used to be an age group with an especially high rate of poverty. One of the signal achievements of Social Security, hardly noticed today, is that poverty has fallen dramatically among Americans over age 65 to just 10 percent, lower than the 12-percent rate for the population as a whole. For millions of the elderly who would otherwise be poor, Social Security is the single biggest source of income, the financial bedrock of their lives. Indirectly, their working-age children are beneficiaries of the program because the elderly no longer have to move in with them. People under age 65 also benefit from two other elements of Social Security that often get forgotten: benefits during long-term disability and survivor benefits for dependents if a worker dies before retirement. These are also important anti-poverty programs that don't carry the stigma of welfare.

Social Security was never expected to be the sole source of retirement income for the middle class, who ideally also have employment-based retirement plans and personal savings. But if one thinks of these various sources of income as making up a "portfolio" of retirement assets, Social Security's distinct value is even clearer. While other assets typically erode or become exhausted with advanced age, Social Security pensions keep their value because they have an annual cost-of-living adjustment. Moreover, as many employers convert from pension plans with a defined benefit to 401(k) and other plans with uncertain payouts, workers are already bearing more risk for retirement. In that context, Social Security provides a valuable hedge against the financial markets.

But what's wrong with voluntary and partial privatization—giving people the option of holding back 3 percent or 4 percent of their Social Security contributions to deposit in individual accounts? Although we haven't yet seen the details of the Bush plan, these proposals typically come with sharp reductions in future benefits for younger workers who opt to remain in the system. These are really proposals to cut Social Security in which the individual-account option is an eye-catching decoy. Voluntary in appearance, these proposals would make Social Security such a bad deal that they'd trigger a run on the system: Workers, especially those with higher earnings, would likely not only opt for private accounts but demand that the entire program become optional.

Social Security works because it is a compact that extends across income groups. If the affluent leave the system, it would become a welfare program, shorn

of the political clout that comes from universal participation. The result would be a self-reinforcing cycle of decline.

Social Security also works because it has been a rolling compact across generations. For decades, the basis of the program was entirely pay-as-you-go—the taxes paid by workers went to pay for current retirees. When those workers retired, they depended on the next generation to support Social Security. Then, in 1983, Congress raised payroll taxes above the level needed for immediate benefits in order to accumulate savings for the baby-boom generation's retirement.

These funds have been invested in Treasury bonds—that is, the federal government itself has borrowed from the trust funds. Though opponents of the program question this practice, it's no different from individuals investing in Treasury bonds. Ever since the founding of the republic, the federal government has paid off its debts; it must fulfill these obligations to the elderly no less than its debts to bondholders in Japan. But what this highlights is that future Social Security beneficiaries, like previous ones, ultimately depend on the next generation of workers to pay taxes and keep the system going for themselves and their children.

Republicans opposed Social Security when it was introduced, Barry Goldwater suggested making it voluntary in 1964, and ever since the 1980s, conservative think tanks have sponsored proposals to shift from Social Security to individual retirement accounts. The opponents' biggest resource in this effort has been public skepticism about government. When a 1981 opinion survey asked how much money out of $100 in Social Security taxes went to administration, the median answer was $52, though the real figure that year was $1.30. Today, Social Security continues to deliver benefits with overhead at a fraction of what private accounts would cost, but few people understand that in this case the government enjoys a huge edge in efficiency.

President Bush and others have also sought to fan distrust in Social Security by contrasting a grim picture of the system's future solvency with bright prospects for individual investment accounts. Their game here involves using two sets of assumptions: The Social Security projections invoked by Republicans assume a 1.7-percent future growth rate for the economy; the investment returns look back to a 7-percent historical growth rate for the stock market. But if the economy grows at 1.7 percent, the stock market can't grow at 7 percent. And if economy grows as smartly as is being assumed for private accounts, there will be no crisis in Social Security.

The ultimate consideration is this: Social Security protects people against a variety of risks to ensure them a basic floor of income in old age and to enable many people who have struggled all their lives to look forward to a decent standard of comfort and dignity when they retire. It would be a crime to take that away from them. TAP

Our Best Anti-Poverty Program

Private accounts cannot match Social Security's guaranteed benefits.

BY HENRY AARON

WHY DOES THE UNITED STATES and every other developed nation have a system of social-insurance pensions? The simple answer is that social insurance is intended to ensure basic income to those no longer able to work. These include the elderly, the disabled, orphans, and widows and widowers with small children. "Ensure" means that incomes must be available reliably; "basic" means that government's obligation is limited. That is why social-insurance pensions typically replace a larger fraction of earnings of those at the bottom of the wage ladder than those at the top. Social Security benefits also rise as average earnings increase. As Bernard Wasow of The Century Foundation points out, in 1935, when the Social Security Act was passed, "basic" may not have included indoor plumbing and running water in much of the country.

There are alternatives to social insurance. One approach would leave entirely to individuals the task of saving for retirement and of buying insurance against death or disability. But left to ourselves, many of us would save too little and most of us would start saving too late. How many 30-year-olds are prepared to save 20 percent of their income every year of their lives, the portion necessary to buy a pension equal to their pre-retirement income? Most would procrastinate. But if they waited until age 45 to begin saving, they would have to save a whopping 35 percent of their income. Disability and life-insurance premiums would be extra. So would saving for their children's college education, and for new cars, houses, or a vacation. Even with the tax breaks currently on offer, not many of us would rise to this challenge and voluntarily save enough to maintain our living standards during retirement.

A second approach would be to depend exclusively on welfare payments to the indigent. This, however, would destroy social insurance as a program that protects the middle class as well as the poor. It would also create perverse incentives. Why bother to save if the sacrifices of deferring consumption generate no more than one could get on welfare?

Compared with other developed nations, the U.S. system is parsimonious. It provides smaller benefits compared with earnings, and at a later age. U.S. designers of Social Security never expected most people to sustain pre-retirement living standards on Social Security alone. They recognized that most people would need additional income from private pensions or personal savings if they were to avoid sizeable drops in living standards when earnings stopped.

The current system reflects that philosophy. Workers with average earnings who claimed retirement benefits at age 65 received an average of approximately

$19,000 a year in 2001. For retirees with average earnings, this benefit replaced about 41 percent of earnings. (Nearly 72 percent received less because they claim benefits at an earlier age.) After the automatic deduction of premiums for part B (hospitalization) of Medicare, the remaining benefit equals only about 38 percent of earnings. Because of benefit reductions enacted in 1983 that take effect over the next few years, and because Medicare premiums are rising faster than Social Security benefits, "take-home" replacement rates are projected to fall still more—to an average of about 33 percent of earnings for retirees in 2030.

In recognition of the need for sources of income to supplement Social Security, successive Congresses have offered tax incentives for employees to offer pensions and for individuals to save on their own, via IRAs, Keogh plans, and 401(k) accounts. These incentives have worked—sort of. About half of all workers have pension coverage. Many have small additional savings, but few have sizable assets, and America's household savings rate is one of the world's lowest. Social Security still supplies more than half the income for more than three-fifths of all people over 65. It is the exclusive source of income for about one in five.

Against this background, President Bush would encourage workers to shift payroll taxes from Social Security into personal accounts. But all such individual accounts would be subject to financial market risk that is inconsistent with the basic objective of social insurance—to ensure basic income. The worst risks would occur if people were free to pick and choose among assets. Some would get rich. Some would go broke. Forced diversification helps, but not enough. As broad a stock index as the S&P 500 lost nearly 50 percent of its value in an 18-month period during 2001–02.

Individual ownership means individual risk. Such risks are fine and proper as cold, hard incentives to direct the allocation of capital in a market economy. But the function of social insurance is to make sure that no one who has worked hard for a lifetime ends up destitute. Individual accounts cannot provide that guarantee. Social Security has done it for 65 years. It can continue doing so indefinitely, but not if proposals to strip it of revenue become law. **TAP**

***Henry Aaron** is a senior fellow at the Brookings Institution.*

A Battle Progressives Can Win

Bush's privatization splinters Republicans and unites Democrats.

BY ROGER HICKEY

PRESIDENT BUSH CLAIMS THE 2004 election gave him a mandate to pursue his No. 1 second-term priority, the partial privatization of Social Security. But the voters don't think so. Only 35 percent of Americans think Bush has a mandate "to allow workers to invest some of their Social Security taxes in the stock market," while 51 percent say he has no such mandate, according to the NBC News/*Wall Street Journal* poll conducted just after Bush's re-election victory.

But Bush is gambling his winning streak on persuading a majority in Congress to vote to dismantle the most popular and successful social-insurance program in the nation's history. And, even though he and his allies are still debating crucial and very controversial details, Bush has pledged to get legislation through Congress this year (before the 2006 midterm election year begins).

For progressives, the battle for Social Security represents a rare opportunity to stop the newly re-elected president dead in his tracks, to demonstrate the bankruptcy of his extreme conservative agenda, and to point to a new politics of "shared security" around which we can build a new majority for change. Winning won't be easy, but a powerful combination of progressive forces—national organizations, political funders and philanthropists, policy experts, and grassroots and online networks (including veterans of the 2004 elections)—are coming together.

In tackling Social Security, Bush has set a much more difficult goal than anything he attempted in his first four years. His tax cuts were heavily skewed to the rich and his Medicare prescription-drug plan gave a bonanza to the HMOs and drug industry, but any senator or representative who voted for them could tell voters, "I got you a tax cut," or "I got you a new drug benefit." A Bush plan that cuts Social Security benefits in order to finance risky speculation in the stock market—while adding $2 trillion to the national debt over 10 years—would require a much more tortured explanation by any senator or representative foolhardy enough to vote for it.

The whole effort to block Bush will stand or fall on massive public education. That's because the more people learn about privatization, the worse it looks. In Bush's first term, Republicans were solidly united behind their president while Democrats were divided. Now, congressional Republicans are worried and splintered, uncertain whether walking the privatization plank will violate their conservative principles or undermine their chances for re-election. And so far, Democrats are pretty unified.

For progressives, victory requires getting enough votes—either defeating the Bush plan outright in both houses or sustaining a filibuster in the Senate by getting at least 41 firm "no" votes. To date, not one of the 45 Democrats in the new Senate has defected to the privatizers (and their new leader, Harry Reid of Nevada, is working to keep it that way). By contrast, several of the 55 Republicans have expressed serious doubts about supporting the president on Social Security.

House Minority Leader Nancy Pelosi hopes to keep her 203 House Democrats united and win over at least 15 Republicans. For every Democrat who defects (so far only one, Allen Boyd of Florida,

has), anti-privatizers will need to win over another Republican. But this time, it's Republicans who are shaky. Tom Davis, chairman of the House Republican Campaign Committee, told *The Wall Street Journal* that "roughly 30 House Republicans, including himself, are already inclined to oppose Mr. Bush" on Social Security.

THE PRESIDENT'S STRATEGY IS FAmiliar from the run-up to his invasion of Iraq: Manufacture a sense of crisis and then accuse critics of irresponsibly exposing Americans to danger, this time not weapons of mass destruction but the equally mythical claim that Social Security will soon "go bankrupt." Once the crisis atmosphere is established, doubters can be intimidated, and extreme measures, like cutting guaranteed benefits, can be justified because they can't be guaranteed any longer anyway.

Social Security crisis-mongering was the centerpiece of Bush's post-election economic conference. But the day before his White House conference, the Economic Policy Institute assembled a distinguished group of economists to brief more than 30 reporters about the fatal flaws in the president's arguments.

Two days later, December 16, the Campaign for America's Future held a press conference in the middle of Bush's meeting. Leaders of major national membership organizations—AFL-CIO President John Sweeney, Kim Gandy of the National Organization for Women, Julian Bond of the NAACP, George Kourpias of the Alliance for Retired Americans, and Marty Ford of the Consortium for Citizens with Disabilities—pledged to activate their memberships to work, with hundreds of other groups, to stop the privatization of Social Security. They described a nationwide, grassroots campaign, keeping opponents united—and then, when the very unpopular details of the Bush plan are finally made public, a targeted constituent-based effort to convince key swing Republicans that voting for privatization would either violate their conservative principles about fiscal responsibility or endanger their political future.

A Skeptical Public: Demonstrators protesting Bush's Social Security Commission

AP/WIDE WORLD PHO

Statewide coalitions, many led by groups like USAction and the Economic Analysis and Research Network of state think tanks, are holding local Social Security forums and making visits to their congressional delegations. Online activism groups, like Working Assets and the Campaign for America's Future, have flooded Congress with more than 150,000 faxes and e-mails with a simple message: "Don't you dare privatize Social Security." Many Internet bloggers have also joined the crusade, demanding to know where members of Congress stand on privatization. Now AARP, representing 36 million seniors, is backing up its opposition to privatization with real resources, launching a $5 million advertising campaign timed to coincide with the start of the new Congress—just the beginning of an effort "to block the creation of private accounts financed with payroll tax revenues." AARP is also joining with "Rock the Vote" to show young voters how they will be hurt most of all by privatization.

Many of the political donors who supported the independent organizing efforts of "527" organizations like America Coming Together have begun to pledge funds to achieve a double goal: to defeat Bush on his most important legislative priority while mobilizing the activist organizing infrastructure in key states and districts that they helped to build in 2004. Leaders of MoveOn.org have indicated that they will work to engage in the campaign for Social Security their 2.8 million (mostly younger) members, most of whom are highly motivated to thwart Bush on his key legislative goal. And recent history has shown that when engaged on an issue, MoveOn activists can communicate massively with Congress, raise large amounts of money for creative and targeted advertising, and mobilize hundreds of informed constituents in key congressional districts to demand (and get) face-to-face meetings with their representatives.

In 1994, William Kristol's infamous memo united Republicans to kill Bill Clinton's health-care plan "in any form" because its passage would signal the rebirth of progressive government that solved real problems Americans face. Their opportunistic victory led to a period of conservative dominance of American politics. Now, progressives are uniting to stop George W. Bush's attempt to kill America's most important program of "shared security." If we win, we will not only set back the radical right-wing Bush agenda; we will be launching a new era of progressive resurgence. TAP

Roger Hickey is co-director of the Campaign for America's Future and leads its Social Security campaign. He is also co-author of The Next Agenda Blueprint for a New Progressive Movement.

Bush's Numbers Racket

Why Social Security privatization is a phony solution to a phony problem

BY DEAN BAKER

THE WORD FROM PRESIDENT BUSH AND HIS MINions is that Social Security is on its last legs, facing imminent danger of bankruptcy. Fortunately, Bush is prepared to rescue this antiquated program by offering workers the opportunity to invest a portion of their Social Security taxes in private accounts. He would like us to believe that this plan will both get the government out from under a crushing debt burden, in the form of future Social Security obligations, and provide younger workers with a more secure retirement.

Almost every part of this story is untrue. First, Social Security does not face any crisis in the normal meaning of the term. Second, private accounts would not give workers a more secure retirement; they reduce security. And third, the basic logic of the story is faulty; it is impossible to both reduce government spending on Social Security and increase benefits, unless the plan somehow increases growth. And no economist seriously contends that putting Social Security money in the stock market will increase growth.

THE BASIC NUMBERS

Starting with the crisis story, the first place to look is the Social Security trustees' projections, the standard basis for analysis of the program. The most recent projections show that the program, with no changes whatsoever, can pay all benefits through the year 2042. Even after 2042, Social Security would always be able to pay a higher benefit (adjusted for inflation) than what current retirees receive, although the payment would only be about 73 percent of scheduled benefits.

The Social Security trustees' projections are based on extremely pessimistic assumptions about the future. (Four of the six trustees are political appointees of President Bush: the treasury, labor, and health and human services secretaries, plus the Social Security commissioner.) For example, the trustees assume that economic growth over the 75-year planning period will be less than half as fast as over the last 75 years. While most of this difference is due to the assumption of slower labor-force growth following the retirement of the baby-boomer generation, the trustees also assume that productivity growth will revert back to the rate of productivity growth during the slowdown years of 1973–95. Even so, the trustees themselves have begun using slightly more realistic assumptions. In 1997, they placed the year that Social Security would begin facing a shortfall at 2029. By 2003, they had revised that projection to 2042. Any system that gains 13 years of health in six years is hardly bankrupt.

The nonpartisan Congressional Budget Office (CBO) did its own analysis of the program last summer. Using only slightly more optimistic assumptions, the CBO found that the program, with no changes at all, could pay all benefits through the year 2052 and more than 80 percent of scheduled benefits in subsequent years.

On the face of it, the fact that Social Security may face a shortfall in just under 40 years (according to the trustees' report) or 50 years (according to the CBO) hardly sounds like a crisis. After all, the program faced projected shortfalls in the 1950s, '60s, '70s, and '80s. Each of these shortfalls was dealt with—usually with modest tax increases, and in the case of the '80s shortfall, a phased increase in the retirement age beginning in 2003. In the past, no one seemed to feel the need to begin whining about a looming crisis 40 or 50 years ahead of time.

But the proponents of the crisis story have been largely successful in spreading fear. Part of this success is due to the use of deceptive language in framing the issue. The promoters of the crisis routinely speak of an $11 trillion "unfunded liability" for Social Security. But most of the people who hear the $11 trillion figure or use it (including reporters) probably have no idea what it means.

The $11 trillion is obtained by projecting Social Security taxes and spending for the infinite future. The gap between projected spending and taxes for all time is then summed up (using a 3-percent real-discount rate) to get a projection of $11 trillion of debt.

However, more than two-thirds of this projected debt is due to spending beyond the 75-year planning period for Social Security. This means that the debt is not something that we are imposing on our children or grandchildren. Rather, it is a debt that we are projecting that our great-grandchildren

would impose on their grandchildren—assuming pessimistic economic projections.

The basic story is that life expectancies are projected to increase through time. This raises the cost of the program through time. If taxes are never raised and benefits are never reduced, the shortfall would eventually be very large.

But serious people don't worry about designing Social Security for the 22nd century. (The secret here is that we don't actually get to design Social Security for the 22nd century anyhow—the people who are alive in 50, 60, and 70 years will design the program in a way that makes sense to them. They will not care at all about what we thought was a good system in 2005.)

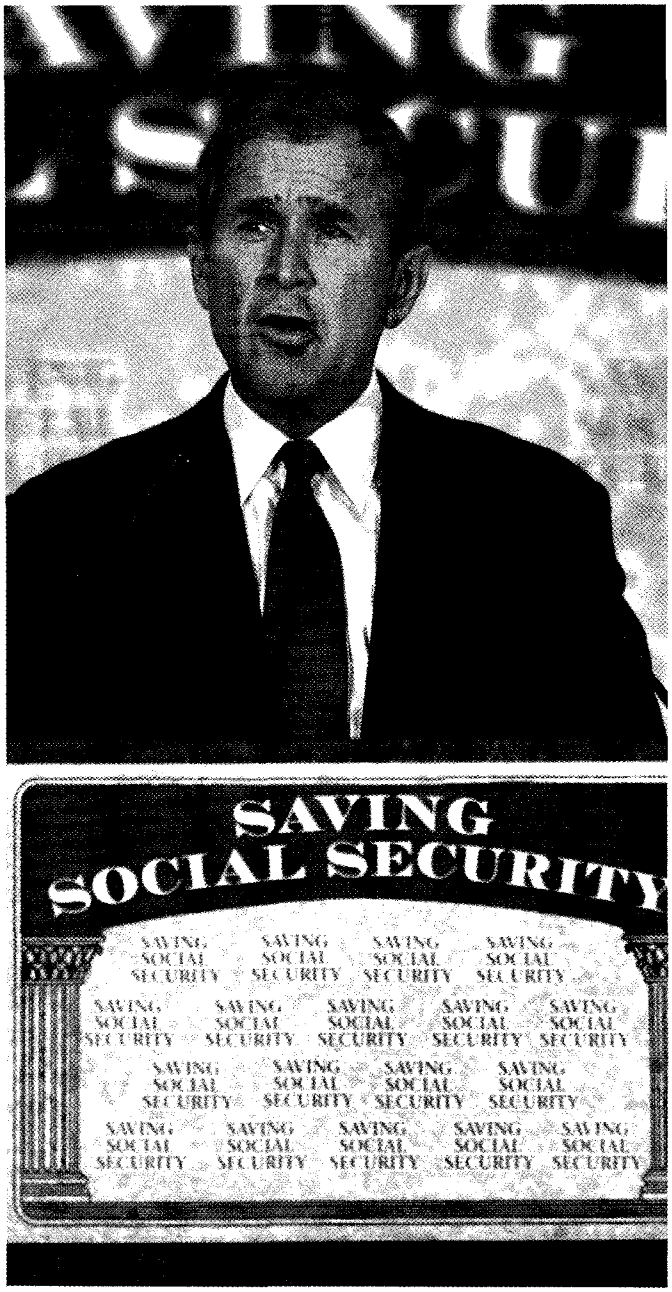
If we just confine ourselves to the already lengthy 75-year planning period, the projected shortfall comes to $3 trillion. This may still sound very large. However, the Social Security trustees calculate that this shortfall is 0.7 percent of national income over the planning period. The CBO projects an even smaller number, just 0.4 percent of income over the next 75 years.

By comparison, the increase in annual defense spending since 2001 has been more than 1 percent of the gross domestic product, twice the size of the Social Security shortfall projected by the CBO. And Bush's tax increases equal about2 percent of the GDP. In fact, rolling back Bush's tax cuts on the very wealthiest would raise sufficient revenue to cover the shortfall for 75 years.

THE TRUST-FUND SCARE STORIES

The promoters of privatization have one other standard trick to promote fear about Social Security's future: They point out that, beginning in 2018, Social Security will be forced to rely on income from the trust fund to pay benefits. But this was deliberate. The 1983 Social Security Commission, chaired by Alan Greenspan, deliberately designed a system that would build up a surplus—taxing more than was necessary to pay benefits—so that the income from this surplus could be used help pay the costs of the baby boomers' retirement. Drawing on the trust fund is no more of a problem for Social Security than it is for any pension fund to use some of its accumulated assets to pay benefits to retirees. Indeed, that is exactly what is supposed to happen.

Some conservatives have even derided the Social Security trust fund as an "accounting fiction." Like most claims to wealth in a modern economy, it exists primarily as an accounting entry (how much gold does Bill Gates have in his basement?), but it is hardly fiction. Under the law, the federal government is obligated to repay the government bonds held by the Social Security trust fund, just as it is obligated to repay other government bonds. While tax revenue will be needed to repay these bonds, it is slated to come from personal and corporate income taxes, both very progressive forms of taxation. By contrast, the Social Security tax is a highly regressive wage tax. The meaning of the trust fund is that workers effectively prepaid their Social Security taxes. Now, the government is obligated to tax the Bill Gates and Pete Petersons of the world to repay this debt.



Commander in Cheat: Destroying Social Security in order to save it

AP/WIDE WORLD PHOTO

FUNNY NUMBERS ON PRIVATE ACCOUNTS

After telling people that Social Security poses the risk of economic disaster, the privatizers promise that individual accounts would provide everyone with a secure retirement. The basic argument is that high returns in the stock market would allow workers to get more money from their Social Security taxes than what they can get through the current system.

There is a simple and obvious problem with this logic. When they project rates of return in the stock market, the privatizers routinely assume that the returns in the future will be equal to the returns in the past, 6.5 percent to 7 percent above the rate of inflation. But the whole basis for projecting a Social Security shortfall is the assumption that the future will have far slower growth than in the past.

Given the much slower projected rate of profit growth, and the fact that price-to-earnings ratios in the stock market continue to be far higher than the historic average, it will be impossible for stock returns to be as high in the future as they were in the past. Projections of stock returns that are consistent with projections of profit growth and current price-to-earnings ratios are approximately 5 percent above the rate of inflation. Because most projections assume a 50-50 mix of stocks and bonds, the implied return on private accounts, after deducting administrative costs, would be about 3.5 percent. This is not much different than the 3-percent return projected for the government bonds held by the trust fund.

In short, there is no untapped bonanza to be claimed by putting Social Security money in the stock market. This step would add little, if anything, to average returns. It would simply add risk. Individual workers may do worse than the average because they make bad investment choices or they happen to retire during a downturn in the stock market. Going in this direction makes sense if the purpose is to increase fees for the financial industry, but it is not a step toward increasing workers' retirement security. Moreover, with individual accounts, retirees would have to worry about living too long, whereas Social Security is guaranteed for life.

> ***It is not just the retirement security of individual workers that would be threatened by privatization. President Bush's plan would also lead to transition costs that could be as high as $200 billion a year for more than 30 years.***

Even with individual accounts, most workers would still see large benefit cuts under the second plan produced by President Bush's Social Security Commission, the one that Bush indicated would be the model for his proposal. An average wage earner who is age 20 at the time the plan is implemented could expect his or her basic Social Security benefit to be cut by $200,000, or more than 30 percent, over the course of his or her retirement. He or she could expect to make back less than $70,000, or about one-third of this cut, through his or her private account.

But it is not just the retirement security of individual workers that would be threatened by privatization. President Bush's plan would also lead to transition costs that could be as high as $200 billion a year (almost 2 percent of the GDP) for more than 30 years. The transition problem stems from the fact that workers would begin placing their money in private accounts immediately, leading to large losses of revenue to the government. However, the commission's plan proposes phasing in cuts to new retirees, beginning five years after the plan takes effect. These cuts would not get large enough to offset the lost revenue (and resulting interest burden) for more than three decades, which would lead to a substantial deficit increase in the intervening years.

In order to avoid the appearance that his plan would lead to record-breaking deficits (measured as a share of the GDP), President Bush wants to take this transition by not counting this borrowing as part of the budget. The argument is that we would pay this money back (with benefit cuts) 40 or 50 years in the future, so the current borrowing should not be viewed as adding to the deficit.

The question of whether the transition borrowing could be taken off the books is a political one, but politics won't determine the impact of this borrowing on the nation's economy. There is little evidence that financial markets look 40 and 50 years into the future (and it's not clear what they would see if they did). But every other country that has privatized its Social Security system has felt the need to offset the immediate loss of tax revenue with some spending cuts and/or tax increases. And none of them started with deficits that are as large as those the United States is currently running.

There were already grounds for believing that the Bush deficits were too large and would lead to a substantial increase in interest rates if not reduced quickly. Adding $200 billion a year to these deficits makes it far more likely that the country would face considerably higher interest rates in the near future.

There is also a good example of what can happen when a country tries the Bush approach to Social Security privatization (even if it didn't go quite as far). In 1994, Argentina partially privatized its social-security system. While there were some cuts included in this package, it cost the government an amount of tax revenue equal to approximately 0.9 percent of the GDP, equivalent to $100 billion a year in the United States. In 2001, Argentina went into bankruptcy and defaulted on its debt. If the social-security revenue had still been coming to the government over the period between 1994 and the default, Argentina would have been running a balanced budget in 2001.

The United States is obviously very different from Argentina, but this example is not encouraging for proponents of privatization. The financial markets were not impressed with the fact that Argentina's social-security payments would be lower 20 years in the future. The markets focused on the deficits the country was running in the present. It is likely that they would also focus on the $600 billion (plus deficits) that would result from President Bush's Social Security plan.

In short, Bush's plan would undermine a system that has provided security for tens of millions of workers, and their families, for seven decades, and which can continue to do so long into the future if it is just left alone. His private accounts would provide far less security, while hugely raising costs in the form of fees to the financial industry. Finally, the cost of transitioning to this new system could throw the country into an economic crisis. It's small wonder that Bush is facing increasing skepticism. **TAP**

***Dean Baker** is co-director of the Center for Economic and Policy Research.*

Bush's Bridge Too Far

The Republicans may have wall-to-wall control, but the politics of privatization favors the Democrats.

BY ROBERT KUTTNER

THE EPIC SOCIAL SECURITY BATTLE OF 2005 WILL boil down to two questions: which side will do a more effective job getting its message out to voters, and which party can enforce the tighter discipline in Congress. Seemingly, the circumstances favor the Republicans, who have the bully pulpit of the White House, almost infinite financial resources from corporate and ideological allies, and majorities in both chambers. But Social Security privatization is such a fiscal stretch that any of the several ways of bringing it about must alienate one Republican faction or another. It remains to be seen whether the Bush White House can bridge these schisms.

Among Democrats, there is strong party unity in the House. The biggest risk is the defection of several wavering centrist senators. These legislators view themselves as nontraditional, post–New Deal Democrats, practical problem solvers, and good bipartisans. The short list includes Senators Tom Carper, Kent Conrad, Ben Nelson, Joe Lieberman, Blanche Lincoln, and Evan Bayh. It takes 41 votes to sustain a filibuster, and the Democrats have only 45 senators, so even a handful of defections would be fatal. So far, Max Baucus, the ranking Democrat on the Senate Finance Committee and usually the most worrisome defector on such issues, is holding fast.

Republican Senator Lindsey Graham of South Carolina has been actively courting these and other Democratic senators. He even succeeded in getting Conrad to write a joint op-ed piece in USA *Today* on December 22, implicitly opening the door to privatization. The two senators wrote, "To address Social Security's funding challenges, all options should be on the table for discussion."

But the problem with this premise is that privatization per se makes Social Security's finances significantly worse. And that is the rock on which the Republican privatization coalition may founder.

The Bush White House and key GOP legislators are even divided over whether the White House should send legislation to the Hill or let Congress take the lead. Key House Republicans feel they would have more cover to vote for risky, unpopular changes if it's the president's bill. On the Senate side, Chuck Grassley, chairman of the Finance Committee, like Graham, would prefer to have the White House send Congress a set of principles and let the leadership work out the actual legislation in order to attract some crucial Democratic support. No bill is expected until late February.

FOR PRIVATIZERS, THE BIG PROBLEM IS WHERE TO get the money. At bottom, there are only three possible ways.

1. Borrow it. This is the most expedient approach, but plunging the federal budget significantly deeper into debt alienates Wall Street Republicans as well as fiscally responsible ones in the heartland. The prospect of $2 trillion in additional borrowing, unlike the rest of the privatization issue, is easy to grasp and has generated lots of unfavorable editorial and news coverage. It also gives the lie to the idea that privatization is any kind of solution to Social Security's present modest shortfall. Graham, as well as several House Republican deficit hawks, opposes borrowing that much additional money. A widely circulated White House memo by Peter Wehner, an aide to Karl Rove, warned of "an economic chain-reaction: the markets go south, interest rates go up, and the economy stalls out."

2. Cut Benefits. In early January, word leaked out that the White House was very likely to include in its bill a change in the annual cost-of-living adjustment. Though seemingly an innocent technical change from "wage indexing" to "price indexing," the result would be a drastic cut in benefits over time—not just for those who chose to put some payroll-tax receipts into individual accounts but for all retirees who stayed with traditional Social Security.

Under present law, once you retire, your benefits are adjusted every year for inflation. Wages, however, increase faster than prices—that's the essence of a growing economy. So during your working lifetime, prior to retirement, your future benefit schedule is gradually adjusted upward as the economy grows. Under the Bush plan, such wage adjustments would be scrapped, with only price adjustments preserved. The effect over time would be to drastically reduce average "replacement ratios," one's Social Security benefits relative to one's lifetime earnings. By 2065, accord-

ing to an analysis of the White House plan done by *The New York Times*, the annual benefit for a typical worker (in today's dollars) would decline from $26,400 under current law to just $14,600.

This idea appalled several Republican strategists and brought some splits into the open. Former House Speaker Newt Gingrich complained to *The Wall Street Journal*, "I can't imagine how you can sell a benefit cut in a partisan environment." Former Representative Jack Kemp, who has organized a new group to push privatization, also strenuously objected.

3. Raise Taxes. Graham broke with the White House when he declared that everything should be on the table, including a lifting of the cap on the income subject to payroll taxes, currently $87,000. Graham spoke of taxing incomes as high as $160,000. As AARP policy chief John Rother observes, "Raising the cap is the one approach that wins majority support in public-opinion polls, but it's the one that Republicans are least likely to vote for." This idea has long been a favorite of many Democrats, who see it as an easy and equitable way of getting more money into the Social Security system. Graham's gambit is shrewd politics. He uses this most un-Republican willingness to raise taxes on the upper-middle class as the bait to attract Democratic centrists to the cause of privatization (which of course does nothing for the system's solvency unless you also slash benefits).

Though President Bush explicitly ruled out Graham's approach, many observers believe that the White House is not unhappy with Graham's ostensible freelancing. Bush can still insist that he opposes raising taxes; but if Congress decides to increase the payroll tax and that's the price of inveigling a few swing Democrats into throwing away Franklin Roosevelt's crown jewel, it's worth it.

Another strategist I spoke with imagines the House passing a bill that uses borrowing to pay for privatization. Anxious House Republicans are told not to worry, that it will be fixed in conference. Then the Senate adds a Graham-style increase in the payroll tax. This brings along a few New Democrats to the privatization camp, defeats a filibuster, and gives the whole affair a bipartisan gloss. In conference committee, some House members grumble about the payroll-tax increase, but the White House and Majority Leader Tom DeLay signal that they should go along, and the deal is done.

But even if this endgame seems a politically elegant solution, the fact remains that the legislation first has to pass the House (as all revenue measures must, under the Constitution) and any of the three approaches would likely lose some Republicans. That's why privatization is more difficult politically than any of Bush's legislative goals to date.

ONE THING DEMOCRATS LACK IS A NATIONAL SPOKESperson. Even admirers of Nevada's Harry Reid, the new Senate minority leader, do not consider him telegenic. And in the House, Nancy Pelosi has been far more effective at holding together her caucus than at being a public figure. "How about Bill Clinton?" proposes one advocate.

The unexpected death of Representative Bob Matsui on January 1 is viewed as a real setback. Matsui, the ranking Democrat on the Ways and Means Social Security subcommittee, also chaired the Democratic Congressional Campaign Committee. He uniquely combined three strengths: He was a passionate defender of the existing system, a genuine expert on its technical details, and a widely respected and trusted colleague.

The next ranking Democrat on the subcommittee, Ben Cardin of Maryland, is a supporter of Social Security, but he is given to bipartisan compromises on retirement policy. Cardin has worked hand in glove on several Wall Street–friendly bills with Republican Adam Putnam of Florida. "Matsui was partisan, smart, and tough," says one key strategist. "Cardin is not a draw-a-line-in-the-sand kind of guy." However, subcommittee posts are awarded by seniority on the full committee, and insiders expect the ranking Democrat job ultimately to go to Sandy Levin of Michigan, a staunch liberal.

In the Senate, Reid is firmly committed to blocking privatization. But there is less party discipline in the Senate caucus, and Reid must contend with several possible waverers, each with his own idiosyncratic motivations.

Kent Conrad, for instance, is a progressive on most issues. But like many prairie-state Democrats, he is a true fiscal conservative. Though Social Security's actual long-term finances get better every time the Congressional Budget Office recalculates the economic projections, Conrad is one of those who fear that the system is unsustainable. It is this concern that Graham plays like a violin. Here, another recent Democratic loss could be telling. Former Minority Leader Tom Daschle, ousted in a razor-thin South Dakota election last November, was close to fellow Dakotan Conrad and might well have been more effective in holding Conrad and other wobbly members of the caucus than Reid can be.

Carper, before his election to the Senate, was a popular centrist governor. Delaware used to send mostly Republicans to the Senate. Carper has attended meetings with Graham and with Grassley, and likes bipartisan solutions congenial to business. Bayh, likewise, is very much a New Democrat. However, he has presidential aspirations, and it is hard to imagine him getting nominated having enabled a Bush victory to wreck Social Security.

Baucus gives liberals hives because of his frequent defections on Republican tax cuts, but is said to be solid on Social Security. Having annoyed his colleagues by supporting Bush first on tax cuts and then on a flawed Medicare drug program, Baucus has given his word to Reid that he won't cave on Social Security.

Two other Democrats from swing states who like to support the president when they can are Ben Nelson of Nebraska and Blanche Lincoln of Arkansas. Nelson must face his voters in 2006. However, on this issue, unlike on tax cuts and Medicare drugs, it's not clear that voters would punish Democrats for defending Social Security, and it is Republicans who risk an unpopular vote.

ELSEWHERE IN THIS SPECIAL REPORT, ROGER HICKEY and John Marttila address the grass-roots battle. It promises to be a doozy. Expect the GOP to launch the usual front groups with happy-sounding names, trumpeting a future in which

Americans of modest means enjoy the security and freedom of individual retirement accounts. AARP has already come forward with its first round of ads, emphasizing that privatization is a risky gamble. Future AARP ads will address three other themes: the fact that the system is not really in serious crisis, the likelihood of drastic benefit cuts, and the risk of massive new public debt.

This is really two battles—one for individual wavering Republican and Democratic legislators, who may fear the retribution of constituents in 2006; the other for media definition. Legislators will be punished (or rewarded) for their vote only to the extent that the story gets out. Thus far, Bush has not gotten particularly friendly press on this project. The media have reported awkward public splits in the Republican coalition and have begun to seriously question Bush's numbers.

But never underestimate the White House spin machine. To a great degree, Bush's success will depend on whether the press is willing to revise the two great media clichés that have dominated Social Security coverage for over a decade: the almost unquestioned premise that the system is in severe crisis and the idea that bipartisanship is virtuous per se. (Why don't the two parties just embrace the public interest, make some hard choices, and get this fixed?) As the press takes a closer look, however, the coverage should appreciate that, in this case, "bipartisanship" would be nothing more than cover for a phony fix.

What is the logical progressive position? By restoring the pre-Bush tax schedule on the top 1 percent of taxpayers, we could fix Social Security's very modest shortfall and not tamper with benefits. By extending it down another 1 percent, we could subsidize individual accounts as a supplement to Social Security rather than a raid on it. "People don't believe that the Social Security shortfall is so modest in relation to the tax cuts," says Bob Greenstein of the Center on Budget and Policy Priorities. Whether people grasp that reality will be crucial to the fate of Social Security.

Mercifully, the Democratic Leadership Council (DLC), which has flirted with partial privatization in the past, is refusing to give Bush bipartisan cover this time. The DLC, says founder and CEO Al From, would prefer "add-on" accounts. This would give Democrats something affirmative to support, keeping with the "ownership society" theme without wrecking Social Security. Gene Sperling, former economic adviser to President Clinton and to the Kerry campaign, is also promoting this approach.

In the end, Republicans need several Democratic defectors, less to break a threatened Senate filibuster than to provide the bipartisan cover that would make it safe for Republicans to support privatization. At this writing, despite a few wobbly Democrats, that seems less than an even bet. **TAP**

BIPARTISANSHIP REMEMBERED

Amid the clatter over "saving" Social Security, it's instructive to look back 22 years—to a time when an imperiled program was saved by a true bipartisan compromise. Then, as now, a newly emboldened GOP was rewriting the agenda in Washington. But then, unlike now, each side sacrificed for long-term gain.

As the 1980s dawned, a mix of high inflation, slow growth, and a benefits-indexing anomaly left the system fast approaching insolvency. For several years prior, Social Security had been "borrowing" against its own trust funds—eventually even raiding the Medicare and disability accounts—to pay retirees' monthly benefits. Ronald Reagan had barely settled into the White House when budget czar David Stockman warned of "the most devastating bankruptcy in history" unless Congress acted with haste. Reagan named a national commission, chaired by Alan Greenspan and including Democrats Daniel Patrick Moynihan and Claude Pepper; Republicans Bob Dole and John Heinz; Bob Ball, Social Security's éminence grise; and such strange bedfellows as chiefs of the AFL-CIO and the National Association of Manufacturers.

Winning One for Bipartisanship

The Greenspan commission's yearlong inquiry became the basis for a legislative overhaul, one brokered in a mere 13 intense days. The 1983 Social Security Amendments increased payroll taxes on employees and employers, taxed some benefits for wealthier seniors, delayed an inflation adjustment, and gradually upped the retirement age from 65 to 67. Politically risky, the overhaul nonetheless passed with broad bipartisan support. We "literally saved Social Security for the decades that followed," Moynihan boasted, while Dole later called it the greatest accomplishment of his Senate career.

Social Security's present fiscal picture is incomparably better. That hasn't stopped the Bush administration from repeatedly invoking Moynihan's supposed imprimatur for a radical privatization plan nearly two years after his death. But as former Senator Bob Kerrey reminds us, when he and Moynihan proposed their voluntary savings accounts in 1998, it was a different world—before recession, wars, and Bush's tax-cut-fueled deficits. And their motivation was far different. "We believed private accounts should be a means to an end—reducing poverty for all older Americans—and we didn't begin the discussion by taking things off the table" the way the president has done, Kerrey said. Moreover, they included ironclad protections of the current benefit structure. Moynihan himself chided Bush back in 2001 for ignoring these "unpleasant preliminaries" in the rush to embrace privatization—an assessment he'd likely support were he with us today.

— Dorian Friedman

A Bloody Mess

How has Britain's privatization scheme worked out? Well, today, they're looking enviably upon Social Security.

BY NORMA COHEN

A CONSERVATIVE GOVERNMENT SWEEPS TO POWER for a second term. It views its victory as a mandate to slash the role of the state. In its first term, this policy objective was met by cutting taxes for the wealthy. Its top priority for its second term is tackling what it views as an enduring vestige of socialism: its system of social insurance for the elderly. Declaring the current program unaffordable in 50 years' time, the administration proposes the privatization of a portion of old-age benefits. In exchange for giving up some future benefits, workers would get a tax rebate to put into an investment account to save for their own retirement.

George W. Bush's America in 2005? Think again. The year was 1984, the nation was Britain, the government was that of Margaret Thatcher—and the results have been a disaster that America is about to emulate.

For all the fanfare that surrounds the Bush administration's efforts to present a bold new idea on pension reform, the truth is that it is not new at all. In fact, the proposal looks suspiciously like the plan set in train during Thatcher's first term in 1979 and which has since led Britain to the brink of a crisis. Since then, the nation's basic pension, which is paid for out of tax receipts, has shrunk dramatically. The United Kingdom has the stingiest state pension program of any G8 nation, and there is growing consensus—even among British conservatives—that reform is needed. And ironically enough, considering that America is on the verge of copying Britain's mistake, most experts seek reform in the direction of a more generous, and simpler, basic state pension—one similar in design, in other words, to America's Social Security program.

David Willetts, the Conservative MP who is the opposition spokesman on pensions (and whose intellectual agility has earned him the sobriquet "Two Brains"), is one admirer of the U.S. system. "I like the way they distinguish between Social Security and means-tested welfare," he says. "They have higher Social Security benefits to keep elderly people off welfare." And last year, in a startling reversal of its decades-old policy, the Confederation of British Industry, the United Kingdom's premier business group and the functional equivalent of the U.S. Chamber of Commerce, called for a more generous state retirement benefit, saying—remember, this is the nation's leading business lobby talking—that it would even support raising taxes to help pay for it. (It also called for raising the retirement age.)

Britain's experiment with substituting private savings accounts for a portion of state benefits has been a failure. A shorthand explanation for what has gone wrong is that the costs and risks of running private investment accounts outweigh the value of the returns they are likely to earn. On average, fees and charges can reduce pension lump sums by up to 30 percent on retirement. The nation's savings industry, which sells those private accounts, has already acknowledged this. Which brings us to irony No. 2: Just as the United States prepares to funnel untold billions to its private sector for the management of private accounts, back in 2002, many U.K. insurance companies, mindful of tough new rules against giving bad advice, began to write to their customers urging them to consider abandoning their private savings and returning to the state pension system—something hundreds of thousands of Britons have done already.

And this is the system that the United States is seeking to emulate?

HOW BRITAIN'S RETIREMENT SYSTEM GOT TO WHERE it is today is a twisted tale that combines political ideology with fiscal expediency.

Britain has had pensions since medieval times; offering them to monks and abbesses was Henry VIII's simple formula for dissolving Catholic monasteries without a revolt by their occupants. They were given more widespread use in the late 19th century by some of the more enlightened entrepreneurs. But it was the aftermath of World War II that saw the widespread inclusion of pension benefits into workers' benefits packages. Britain's nationalization of its heavy industries such as coal, steel, and railroads made pensions as much an element of social policy as of employment policy. At the time, Britain was suffering a manpower shortage so acute that, for the first time, it encouraged citizens of its former West Indian colonies to settle there. For employers in certain industries such as retailing and banking, dependent on large numbers of relatively low-

wage workers in a labor-restricted economy, pensions were a low-cost insurance policy against high staff turnover that could drive up wage bills. The system was, to be sure, complex and not without its inequities. But it was not in crisis.

Thatcher (now a baroness) came to power in May 1979 at a time when much of Britain was ready to hear her message. The now-infamous poster of workers on the dole queue, headlined "Labour Isn't Working," coupled with national disgust over a series of strikes during the 1979 "Winter of Discontent" that left bodies stacked at morgues in Liverpool and trash piled high in London's Trafalgar Square, made Britons eager for change.

Thatcher's vision was the dismantling of much of what Britain's Conservative Party calls "the nanny state." Individual choice and individual opportunity were to be the hallmarks of this dismantling. No longer would the state seek to shield people from the force of the markets; people would have to learn to stand on their own two feet. Britain was to be a nation of home-owning, share-owning entrepreneurs who did not want the state snooping into their business or asking more of them than good citizenship.

From the start, the new Tory government set out to make tax cutting the centerpiece of its fiscal policies. However, it was clear that this could not be accomplished without benefit cuts. As former Chancellor of the Exchequer Nigel Lawson notes in his memoirs, the single most important cut was directed at retirement benefits. So the Tories' very first budget, passed by Parliament in 1979, included a fateful change in the formula for basic state pensions. For years before that, state pensions had risen in line with wages; but the 1979 budget decreed that in the future, they would rise in line with inflation. This is one key change that the Bush administration is contemplating today for Social Security.

In Britain, by most accounts, the change caused little political fanfare at the time. Ros Altmann, a Harvard-trained specialist in pension economics and a governor at the London School of Economics, says that neither the voting public nor most politicians understood the true implications of altering the link to wages. But those who pushed for the change knew what they were doing: They were slowing the rate of growth in pension increases, because in the United Kingdom, wages have historically risen by 1.5 percentage points to 2 percentage points ahead of inflation each year. (Wages rise ahead of inflation in America as well.) "Two percent doesn't sound like much," Altmann notes. "But with the effects of compound interest, that amounts to nearly a 50-percent reduction in the value of benefits over 30 to 40 years." As a result, the basic state pension in the United Kingdom—the equivalent of U.S. Social Security—is today lower than that in all but four other European countries: Portugal, Greece, Belgium, and Ireland. It is also substantially below that of its U.S. counterpart.

The American observer may find it odd that Britain's voting public was prepared to put up with so low a basic state pension. Why did voters never demand more generous old-age benefits? The answer lies in the fact that the United Kingdom has one of the most generous employer-backed pension systems in Europe. Aggregate assets in U.K. pension funds far outstrip the value of similar funds on the continent. Indeed, in a report issued last October, the Pensions Commission acknowledged this very point. "The UK pension system appeared in the past to work well because one of the least generous systems in the developed world was complemented by the most developed system of voluntary private funded pensions," the commission wrote. "This rosy picture always hid multiple inadequacies relating to specific groups of people, but on average the system worked."

Nigel Bites: Nigel Lawson (*far left*), the guru of Britain's scheme, listens as Margaret Thatcher speaks.

ANDY CLARK/REUTERS/LANDOV

Thus, with most Britons assured that their private pensions would protect them, the Tories faced little opposition as they kept at reducing state pensions. The Labour Party, then in opposition, was relatively acquiescent, in part because just a few years earlier, a bipartisan group had agreed on a new legislative centerpiece that was designed to ensure that old-age pensions retained their purchasing power. This legislation established a new and more generous second tier of the basic state pension, which was to be known as SERPS (State Earnings-Related Pension Scheme) and which promised to deliver every worker an additional pension, over and above the basic-level pension and equal to a percentage of the average of his or her best 25 years of wages.

THAT ADDITIONAL PENSION WAS KNOWN AS THE GUARanteed Minimum Pension (GMP) because, unlike the basic state pension, it set a floor under the smallest benefit a worker could expect in retirement. But it contained an interesting wrinkle: Employers who provided their own schemes for their workers could be allowed a reduction of

roughly 60 percent of their payroll taxes if they guaranteed to provide a pension at least as good as the GMP.

Thus was established the principle of "contracting out," the British term for allowing citizens to divert money from state schemes and to invest instead in private plans—the term of art, in other words, for privatization. The practice was finally put into place in force with a piece of legislation that passed in 1986.

The narrative of how this came to pass will sound familiar to those who have been following the current debate in America. At the start of 1984, then-Chancellor Nigel Lawson (now Sir Nigel; his daughter Nigella has more recently won great culinary fame on American television) had begun to express his alarm at projections for the cost of SERPS over the next 50 years. A colleague in the cabinet, Social Security Secretary Norman Fowler (also now a "Sir," albeit one lacking a daughter famous in the States), advocated abolishing it altogether. In his memoirs, Lawson describes SERPS as "a doomsday machine" and calls its provisions "irresponsible generosity." Both men were strong advocates of personal pensions. However, what Lawson does not say is that while the SERPS expenditure was likely to peak in the year 2030 (projections for that year appeared in all discussions about the need to curtail it), it was projected to fall off after that. But—here's another wrinkle that should sound familiar to American ears—by focusing on projections for 2030, the sense of impending crisis prevailed in the media.

By 1994, the government had sent out £9 billion in rebates; at the same time, the shift to private pensions was going to cut state pension costs by only £3.1 billion.

And so, in 1985, the Conservatives pushed through what would become the landmark legislation of social-security privatization. The new law curtailed some SERPS benefits; allowed employees the choice of either joining SERPS or setting up a personal pension scheme; and, crucially, allowed those choosing a personal pension to contract out of SERPS altogether. It was these last two elements, when combined, that led to one of the greatest financial scandals in recent memory and that, together, have undermined confidence in long-term savings in Britain.

The new rules on personal pensions and contracting out did not take effect until 1988. But in the months leading up to their launch, the government spent substantial sums on advertising aimed at encouraging Britons to take them up. The Thatcherite government was so eager to pursue its ideological agenda that it spent taxpayers' money on it; the 1985 act had included a payment into the fund giving an additional 2-percent tax rebate to those taking out a new personal pension between 1988 and 1993.

When contracting out began, predictions from the Government Actuary's Department forecast that no more than 500,000 people would take up personal pensions. A former official told the *Financial Times* at the time, "We all told the secretary of state that personal pensions were really only good for the very young or for very high earners." But in the first five years, the number of private pensions sold would turn out to be 10 times those two segments of the population. The legislation, and the accompanying public-relations blitz, worked: The "take-up," as the British call it, of personal pensions was successful beyond the ministers' wildest dreams and was hailed as one of the triumphs of the Tory government. By the end of the 1988–89 tax year—the first year in which they were available—more than 1 million private pensions had been sold, twice the government projection. By the end of the following tax year they totaled 3.9 million, rising to 4.3 million at the end of the 1991 tax year.

It wasn't until a July 1992 gathering of ministers and civil servants at Chevening, the chancellor of the exchequer's country residence, that the government got its first official warning that all was not well. On the opening day of a strategy session called by then-Social Security Secretary Peter Lilley, ministers were alerted to the costs now associated with persuading people to opt out of occupational and state pension schemes into personal pension plans. The warning came from David Clark, then deputy secretary for pensions, in a paper to the assembled group. A minister recalled to me, "The paper said that, in some sense, personal pensions have been a tremendous success, but there are a few time bombs ticking away there."

A report written two years earlier by the National Audit Office confirmed what Clark had told the disbelieving ministers. The government had sent out £9 billion in rebates from 1988 to 1993 to people who had agreed to contract out; but at the same time, the massive shift to private pensions was going to cut SERPS costs by only £3.1 billion. In other words, the government was spending much more than it was saving by bribing people to leave SERPS. What had once been a £1.6-billion surplus in the National Insurance Fund vanished completely. Worst of all, many workers left good occupational plans and faced being worse off, not better off, in retirement by depending on the privatized schemes.

Finally, Britain's financial services regulator, the Securities and Investment Board, reacted. Over the objections of the insurance industry, it undertook random samples of paperwork from personal pension clients of most large providers and discovered that a staggering percentage of pensions had been sold to those who would be worse off in retirement as a result. The public outcry over the "mis-selling" scandal forced the government to act. It established a review panel and ordered that all those who had been made worse off by taking out a personal pension be compensated by the seller. Over the next eight years, roughly 1.7 million people sought and received compensation that ultimately cost the insurance industry £12 billion. In addition, hundreds of millions were paid out in fines and penalties. It was the biggest financial scandal in the United Kingdom to date.

In retrospect, it is no surprise that personal pensions became controversial; the insurance industry, which would benefit most from their creation, was also the most influential in crafting their design. For advice, Fowler relied heavily on a small group that included the highly influential insurance executive Sir Mark

Weinberg, who had launched three insurance companies. According to Fowler's former aides, no one influenced Fowler more than Weinberg. "In the main, Weinberg was the only person in the industry who Fowler had direct contact with," one former staffer says.

TODAY, ANOTHER FINANCIAL SCANDAL LOOMS, AND THIS one could be bigger. It involves the United Kingdom's occupational schemes, long the backbone of retirement provision (they are the British equivalent of traditional U.S. pension plans).

The drop in real interest rates and the accompanying disappearance in high returns on equities have left most British occupational pension schemes in deficit. Employers sponsoring some 70 percent of all defined-benefit plans—in which the retirement pay is a percentage of the final salary—have shut their doors to new members. Instead, as with American 401(k) plans, employers are offering defined-contribution plans in which company contributions, per worker, are very much lower than those of the schemes they replace. They're unlikely to ever deliver anything like the old-style retirement benefits. What has made this abandonment particularly acute is that the United Kingdom was so confident of the strength of its occupational plans that Tory and Labour governments alike insisted that no insurance scheme would be necessary.

But the crisis within the occupational pension system has laid bare just how inadequate Britain's public pension schemes have been. Now, some 65,000 British workers have lost all or part of their pensions as a wave of insolvent employers are discovered to have left their pension schemes severely underfunded. Some do not even have the cash to pay the GMPs that were promised in exchange for tax rebates. A 1995 attempt at reform fizzled. Those who have lost out have discovered that they have nothing to fall back on except the basic state pension, which is now so miserly because of changes put in place during the first year of the Thatcher reign that those relying solely upon it for their retirement income are defined as destitute. And that GMP, which was meant to supplement the basic state pension? "The Guaranteed Minimum Pension turned out to be neither guaranteed nor a minimum," says Ros Altmann of the London School of Economics. "These people would have been better off keeping their money under the mattress."

This, then, is the situation in Britain today:

- According to the Department for Work and Pensions, in 2004 alone, 500,000 people abandoned private pensions and moved back into the state system. Government actuaries expect another 250,000 to contract back in this year.
- In 2004, the Association of British Insurers, the trade association representing the companies that sell the private accounts, made a collective decision not to risk any more allegations of mis-selling. It urged all of its member firms to warn those who had taken tax rebates to open private accounts that they might have made a bad choice. The advice was particularly aimed at older workers with fewer years until retirement.
- Many insurance companies—the sellers of the private accounts—have been writing their customers urging them to contract back in to the state system.
- And, of course, even the U.K. version of the U.S. Chamber of Commerce has endorsed the idea of raising taxes to increase benefit levels.

PENSION POLICY THREATENS TO BECOME A KEY ISSUE in the British elections in May. To be fair, the United Kingdom is hardly alone in facing a pension crisis. With sharp increases in life expectancy among the elderly and plunging fertility rates, every nation in the world will face similar challenges. Moreover, the demographic patterns are similar even in less-developed nations; Mexico, for instance, is forecast to have old-age life expectancy similar to that of the United States in a few decades' time.

But whatever the solution to that challenge, there is little disagreement within the United Kingdom that the path chosen by successive governments over the past 25 years is not the right one. The Pensions Commission recently completed the most comprehensive review ever of the U.K. system and concluded that there are only four possible solutions for the difficulties ahead: cutting state retirement benefits, increasing taxes, increasing savings, or delaying retirement. While noting that there is no political support for the first choice, the commission concluded that each of the three other choices, on its own, is too painful. Only some combination of them is likely to help Britain's elderly obtain retirement with dignity. Adair Turner, chairman of the commission, a vice chairman of Merrill Lynch in London, and the former director general of the United Kingdom's biggest business lobbying group, says, "There are no other choices."

And so, at the exact moment that America contemplates replicating this disaster, many in Britain—some conservatives included—are looking more and more kindly on American Social Security as a model for reform. The National Association of Pension Funds, a group of employers who sponsor the nation's largest schemes, is urging government not to expect the private sector to shoulder the burden of keeping the nation's elderly from poverty. Chief executive Christine Farnish notes that it's "actually cheaper for the state to carry the risk," adding that in looking for a system that offers the best combination of modest guaranteed retirement benefits delivered at low cost, the U.S. Social Security program seems the best model. "It doesn't have to make a profit, and it delivers efficiencies of scale that most companies would die for," she says.

And that is how the British eye, wearied after beholding decades of privatization "reform," views the American system, which has served the United States so remarkably well for seven decades but which supposedly is now in dire crisis and must be overhauled by the time the forsythia bloom. It's a point of view Americans would do well to take in. TAP

Norma Cohen *is senior corporate reporter at the* Financial Times *and is currently responsible for coverage of pension issues. This article was made possible by a grant from the Center for American Progress.*

Privatization and the English Language

President Bush's notion of "ownership" in Social Security really means asking workers to accept risk, volatility, and uncertainty.

BY GEOFFREY NUNBERG

THE ART OF BUILDING CONSENSUS out of the "vague and confusing medley" of individual opinions, Walter Lippmann wrote in *The Phantom Public*, consists in narrowing issues to a few simplified alternatives that can be reduced to "symbols which assemble emotions after they have been detached from their ideas." It would be hard to go any further in that line than the slogans the current administration wallpapers across the backdrops for presidential appearances: "Jobs and Growth" when the president pushes for his tax cuts, "Compassion in Action" when he speaks about AIDS, or, most ambitiously, the "Mission Accomplished" banner aboard the *USS Lincoln* in May of 2003.

At the president's economic conference in December, the backdrop slogan was "Securing the Economic Future." Like the "war on terror" and the "faith-based initiative," that slogan skillfully exploits the multiple meanings and resonances of its key terms. At first glance, "securing" may seem an awkward substitute for "achieving" or "ensuring." But "securing" echoes both "Social Security" and, more distantly, "securities," and its ambiguity ("making safe" versus "bringing about") evokes both the fear that the program is unsustainable in its present form and the hope that private investment accounts will fix the problem.

Fear, of course, is the easier emotion to assemble. After years of charging the Democrats with fear-mongering on Social Security, the Republicans have proven to be no mean hands at the rhetoric of alarm themselves. "The crisis is now," President Bush has repeatedly asserted, and the media seem disposed to take him at his word. Tim Russert announced that "Social Security faces a crisis," and conservative media commentators waxed even more apocalyptic: Brit Hume called the program "unsound" and "a Ponzi scheme," Kate O'Beirne called it "unsustainable," Stephen Moore compared it to "the Titanic headed to the iceberg." Fred Barnes, meanwhile, warned against the complacency of "those who would do nothing on Social Security because insolvency won't be a threat for a decade or more," shaving 20 or 30 years off the date when the trust fund is actually predicted to run out of money.

McDAVID HENDERSON

Over the last six months of 2004, major daily newspapers ran 159 stories in which "Social Security" appeared within five words of "crisis" or "looming," against just 18 for the same period a year earlier. True, some of those stories involved denials that the system was actually in crisis, but those assurances were apt to be unsettling in themselves, like a sudden spate of announcements that it's safe to take aspirin.

So it isn't surprising that a growing number of people doubt whether Social Security will be available to them when they reach retirement, even though the majority think that private accounts are a bad idea. That resistance has necessitated some terminological adjustments from supporters of the proposals. During the 2000 campaign, Bush described his Social Security proposals as "the first step toward a complete privatization." But in a neat bit of historical revisionism, a 2002 memo from the National Republican Congressional Committee described "privatization" as a "false and misleading" term that Democrats had adopted as a scare word. Proponents of private accounts fell into line: The Cato Institute, for example, rebaptized its Project on Social Security Privatization as the Project on Social Security Choice, even retroactively revising documents on its Web site to reflect the new language. And the P-word was nearly absent from the president's economic conference in December.

To make their case, supporters of private accounts have switched to language that evokes the benefits of such accounts without suggesting the risks that "privatization" implies. They talk about "choice," "personal control," and "ownership," which Bush made a mantra in his 2004 campaign appearances. ("In a new term, we'll continue to spread ownership to every corner of America," he said.) The word echoes Bush's fondness for phrases like "your own money," which in one form or another has come up more than 500 times in White House speeches. ("I want to give younger workers the opportunity to manage some of their own money in the private markets," as Bush put it back in 2001.)

In the event, though, Bush has had to temper the allure of letting people "manage some of their own money" with reassurances that private accounts will be restricted so as to minimize risk, saying, "People are not going to be allowed to take their own money from the retirement account and take it to Vegas to shoot dice." There's a telling incoherence in that statement: When somebody refers to people's "own money," you don't usually expect to be told what they can't do with it.

That inconsistency is obscured by "ownership," another of those usefully ambiguous words that the administra-

tion favors. (The French business journal *Les Ecos* described Bush's "ownership society" as "more-or-less untranslatable.") Nowadays, being asked to feel "a sense of ownership" in your job doesn't usually mean you're being given managerial control, much less an equity stake in the business; it's more a question of feeling your own neck is on the line. The Bush Social Security program comes to pretty much the same thing, "Ownership" comes down to asking workers to accept risk, volatility, and uncertainty in exchange for the possibility of higher returns on their payroll contributions.

Listening to supporters describe the probable returns on private accounts, you're reminded of the pitchmen for stock-trading schemes on late-night cable: You might think the market was being irrational in assigning a risk premium to equities in the first place. But the one certainty that all workers can have is of waking up some morning to find that their retirement expectations have been dramatically altered by a market correction or crash, with increasingly dire consequences as the day of retirement approaches.

The administration's supposed reform of Social Security turns both words into misnomers. Not only would it remove the security, it would no longer collectivize the risk. In the end, "ownership" amounts to saying you're on your own.

The most daunting task facing opponents of private accounts is to dispel the sense of crisis that leads many younger workers to support the scheme as the best of a bad bargain. That's partly a question of pointing out the factual inconsistencies and misstatements in the administration's position—the dubious and contradictory assumptions about the rate of economic growth, the swollen debt burden imposed on future generations, and the exaggerations of the cost of maintaining the current program. Above all, workers have to realize that there are alternatives to the administration's scheme. (Barnes' reference to "those who would do nothing on Social Security" calls to mind depictions of critics of the president's Iraq strategy as "those who would cut and run"—it's designed to cut off the conversation right there.)

But the public has only a limited capacity for these intricacies; as Lippmann observed, "the facts far exceed our curiosity." So an effective response to the administration proposals also has to counter the implications of the language that supporters use to frame the program as the poor box of an aging parish—words like "insolvency" and "unfunded liabilities," along with warnings that a "tidal wave" of baby boomers will make the program unsustainable.

Americans need to be reminded that Social Security is a generational commitment, no different from long-term investments in defense or the environment—obligations that, as Robert Kuttner has pointed out [see "What Social Security 'Crisis'?" *TAP Online* (www.prospect.org), December 23, 2004], nobody is tempted to regard as "unfunded liabilities." The program must be described with the language of trust and commitment; we will not break faith with successive generations, just as earlier generations kept faith with us. Or as AARP has put it, Social Security is "a promise our country makes to working Americans and retirees. And a promise should not have an expiration date." TAP

__Geoffrey Nunberg__ is is a senior researcher at the Center for the Study of Language and Information at Stanford.

Are Voters Paying Attention?

Progressives surely have the tools to defeat the privatization campaign. What's needed is the right strategy.

BY JOHN MARTTILA

IN THE WAKE OF HIS 2004 VICTORY, President Bush seems poised to challenge the axiom that Social Security is the third rail of American politics. Democratic Party leaders will be making a very serious mistake if they believe that Americans will rush to the barricades to fight the president's privatization proposals. Blocking his radical attack on this vital program will require a careful reappraisal of American attitudes on the topic of privatization—and a sharply focused strategy that will beat back Republican claims, particularly about the system's long-term financial viability.

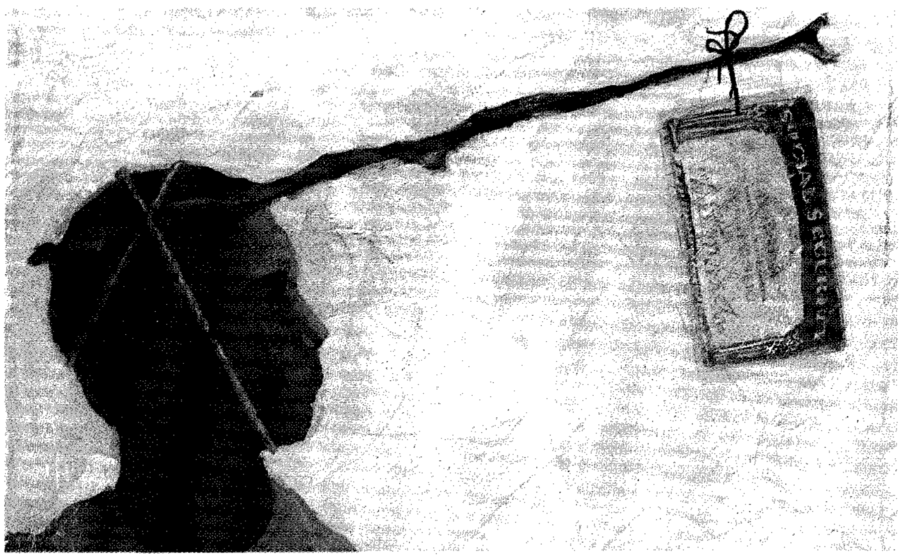
The simple truth is that all too many Americans, especially younger ones, are open to the idea of some Social Security privatization. In a December *Washington Post*/ABC News poll, 53 percent of American adults said they would support a plan that allowed some Social Security funds to be invested in the stock market. Among respondents aged 30 and younger, fully 67 percent expressed support.

Even when the idea of investment risks is raised, a narrow plurality still supports some privatization. In a November CBS News/*New York Times* poll, voters were asked about permitting "individuals to invest portions of their Social Security taxes on their own, which might allow them to make more money for their retirement, but would involve greater risk." Nearly half—49 percent—said this was a good idea, while 45 percent called it a bad idea. To be sure, there are arguments that diminish public support for privatization. When specifically told that benefits would be reduced if the stock market drops, 62 percent of respondents opposed the privatization idea. Nonetheless, it is clear from polling that Republicans begin this fight with enough public support to wage a credible campaign. And nobody should think otherwise.

RECENT PUBLIC-OPINION POLLING also shows that Social Security was not a major issue in this year's presidential campaign. Election-day exit polls showed it ranked far down the list of decisive issues among most voters, although Kerry supporters were twice as likely as Bush voters to call it a top concern. Of course, any serious discussion of Social Security reform will increase the issue's

salience, but the significance of the exit polls must not be underestimated.

Sadly, this lack of genuine voter awareness plagues some of the progressive community's most cherished issues—from gun control to prescription drugs—and it could raise its ugly head during the Social Security debate as well. Clinging to long-standing Democratic notions about the political power of Social Security is a formula for disaster. Democrats must take a fresh look at what Americans know about Social Security, what they consider to be their stake in it, and which arguments will most effectively persuade them to reject the president's proposals. Answering these questions successfully will be the key to winning the battle against the Republican assault.



McDAVID HENDERSON

What do people believe? First, too many younger Americans genuinely believe that Social Security will not be there for them when they turn 65. My own firm's work conducting focus groups for a number of clients around the country confirms this troubling finding. We have pushed younger voters very hard on this perception, and they hold their ground. This is not a view held by younger Americans alone. Nearly two-thirds (63 percent) of Americans in that recent *Washington Post*/ABC News poll said that "there will not be enough money left" in Social Security to pay the benefits they are owed. Americans have also grown more pessimistic about the fiscal solvency of the trust funds over the past few years. Just 31 percent of respondents to the November CBS News/*New York Times* poll believed Social Security would have sufficient funds when they retire. This is a 10-point dip from 2000 alone.

These growing doubts about Social Security's viability should not surprise us. The program has been subjected to a focused campaign of criticism by leading Republicans for years. And recently, a confidential memo from White House strategist Peter Wehner revealed the administration's hand. "Right now we are on an unsustainable course," it warned. "That reality needs to be seared into the public consciousness." That's why changing the perceptions about Social Security's long-term solvency will be so critical for the progressive community.

SUPPORT FOR SOCIAL SECURITY RESTS on two pillars of public opinion: a belief in the social purpose and the moral commitment behind the program, and a belief that Social Security is an affordable public expenditure.

Existing public-opinion research shows that Americans remain solidly behind this first pillar but are wavering on the second. With more Americans doubting that Social Security funding is affordable, President Bush and the Republicans will do everything they can to exploit this opening even further.

During the past several years, many prominent Democrats have shied away from a public debate about the long-term financial viability of Social Security, believing that it made more strategic sense to focus on the prospective loss of benefits for seniors and near-seniors. While I understand the rationale for raising these human costs over concerns about solvency, the strategic conclusion seems inescapable: Democrats must refuse to cede any more ground on this fundamental consideration. The plain fact is that Social Security accounts are only very slightly out of balance: The Congressional Budget Office puts the 75-year shortfall at just four-tenths of 1 percent of the gross domestic product.

What do people know? Once we better understand what the public believes about Social Security, our campaign to save the program must be based upon a surefooted understanding of what people really *know* about the program and what new information they are likely to absorb.

The flow of news coverage, and of political and policy information, has changed dramatically during the past 10 years, and Democrats must take a fresh look at the way these changes have affected voter understanding of substantive issues. The impact of cable news and programming, the Internet explosion, declining newspaper readership, and more have had a profound impact on how Americans get their news—and what kind of information they absorb. It is a new world out there, and the full scope of it has not been fully understood by the progressive community. As I've seen in my own work, public understanding of some of our "gold standard" programs like Medicare and Social Security, even among well-educated audiences, is woefully inadequate. Worse, support for these programs is changing beneath our feet, a fact that we progressives must address, and soon.

But there is also much good news for Democrats in this communications revolution, as Roger Hickey and others detail in this report. The extraordinary success of the Kerry campaign's Internet program (nearly a million donors, 2.8 million e-mail members) and of MoveOn.org's efforts, for example, give the progressive community the tools to compete successfully with the Republican financial and media juggernaut—arguably for the first time in a generation. Who among us would have predicted that John Kerry's primary cam-

paign would raise $85 million dollars on the Web, or that the Democratic National Committee would out-raise the Republican National Committee?

Through our new fund-raising prowess, a revitalized progressive infrastructure, and these remarkable technological developments, we surely have the tools to defeat the Social Security privatization campaign. The operative question now is whether we will have the right strategy. TAP

***John Marttila** is president of The Marttila Communications Group, a strategic consulting company. He was a senior adviser to the Kerry presidential campaign.*

Social Security and the New Fiscal Policy

Bush would put the costs of Social Security privatization on the national tab, just like his tax cuts, wars, and Medicare drug benefit.

BY ALAN S. BLINDER

THE MOST PROFOUND, AND PROfoundly disturbing, innovation in budget policy during the administration of George W. Bush has been to discard the old-fashioned notion that presidents who propose a tax cut or new spending should also propose some way to pay for it. That practice, apparently, is just soooo 20th century.

Observers of this administration's fiscal policies won't be surprised to learn that the president's preferred way (according to presumably authorized leaks) to pay for the so-called transition costs of partially privatizing Social Security is to not pay for them at all. That, of course, is precisely how President Bush paid for his tax cuts, for the wars in Iraq and Afghanistan, for the Medicare drug benefit, and so on. Never mind the cost. Just put it on the national tab.

Most thoughtful proponents of privatization (and there are some) see it as a way to boost national saving. Here's the argument: An unfunded Social Security system reduces the need for individuals to save for their own retirement because government provides a basic pension. So national savings decline. A funded system, by contrast, would really accumulate assets through saving, just as funded private pension plans do. If the necessary saving is done publicly, that means reducing the overall budget deficit (which economists call government "dissaving") through some combination of tax increases and spending cuts.

But if, instead, the nation moves toward a privatized Social Security system by diverting payroll-tax revenue into private accounts, that raises government dissaving and therefore reduces national saving. Hmm. So how do we raise national saving by reducing it?

And hasn't anyone in the administration noticed that there is a gigantic federal deficit already? Is this really a propitious time to increase it further?

Here is a stunning fact that you haven't heard from the White House: Measured over the same 75-year period that is used for Social Security calculations, the cost of the Bush tax cuts is roughly three times as large as Social Security's financing gap. That means that if the tax cuts were trimmed by just one-third and the resulting revenue assigned to Social Security, the entire Social Security deficit would disappear in a stroke.

Let's remember why we are engaged in a national debate over Social Security in the first place. It's not because the system has failed to achieve its goals, because people are unhappy with it, or even because it's soooo 20th century. The reason is simple: The government has overpromised. Social Security's commitments to future beneficiaries exceed the likely future revenue that today's payroll-tax rates will bring in—leaving the system flush today, but in the red over the aforementioned 75-year calculation period.

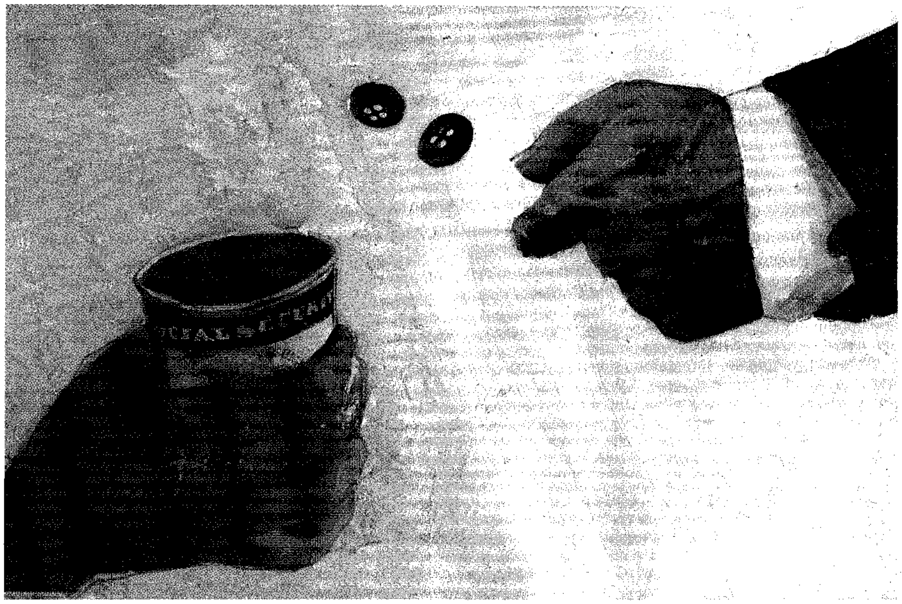
Question: If you were put in charge of a system like that, what would you do? Well, you would probably propose some combination of more tax revenue and less generous Social Security benefits to bring the two into balance, which is just what the Greenspan commission proposed (and Congress enacted) in 1983. But that was back in the 20th century. Modern budget man has a more novel idea. As noted, the Bush administration wants to reduce payroll taxes and hand that money back to the people in the form of private accounts. But won't that dig Social Security's financial hole even deeper? Of course. Depending on the specific plan, these transition costs may last 50 to 75 years and add tens of trillions of dollars to the national debt. Some transition!

Naturally you don't hear any of this from the advocates of privatization. Instead, the approved White House talking points assert that privatization would save money over the long run because spending $2 trillion now would save $10 trillion later. That would be a great deal, if true. But the comparison is completely bogus. The $2 trillion refers to the estimated transition costs over the first decade, while the $10 trillion figure refers to the present value of the Social Security deficit from now until the end of time. That's why professional actuaries have warned us not to pay attention to the $10 trillion number.

In sum, Social Security does have a long-run financial problem (but not a crisis) that needs to be dealt with. Second, this problem is of manageable size. Third, financing private accounts by diverting payroll-tax revenue from the trust fund would exacerbate, not mitigate, Social Security's financial problem—at least for many decades. Fourth, the additional deficits from Social Security privatization would be piled on top of the already large budget deficits. Dick Cheney notwithstanding, deficits do matter. And fifth, when someone tells you he can turn $2 trillion into $10 trillion, watch your wallet.

Now, don't you wish our government would return to old-fashioned 20th-century budget practices? TAP

***Alan S. Blinder** is is the Gordon S. Rentschler Memorial Professor of Economics and co-director of the Center for Economic Policy Studies at Princeton University.*



We're All in This Together

With privatization, young people would be hurt twice—first when they pay the bill and then when their benefits are reduced.

BY RICHARD C. LEONE AND LIBBY PERL

SAVINGS ARE LOW, DEBT IS MOUNTing, the dollar is weak, and the economy is projected to grow more slowly in this century than the last. But that's not the half of it. What we really have to worry about, according to a chorus of prophets, is the prospect of Americans living too long. This failure to die in a timely fashion apparently means no end of trouble for younger citizens—and even represents some kind of accounting swindle in which the long-lived threaten to take more out of the economy and Social Security than they ever put into it!

This is the sort of tortured reasoning that Americans—especially younger Americans—confront when trying to understand what remedies are needed to keep a basic safety net in place for retirement. According to President Bush and his allies, the transition to a longer-lived society lies in stripping out some of the funds currently going to Social Security and using them for personal accounts, largely invested in the stock market. Bush's plan for partially privatizing the program is marketed to young adults as a much better deal for them than the current system.

It is not surprising that the notion is appealing. Today's youth have grown up during a time when investment in the stock market among ordinary Americans has grown markedly. Further, a lot of 20-somethings who have graduated from college are more likely to be juggling sizeable student loans than flush investment portfolios. And young people in general are just beginning to learn the hard lessons of easy credit-card debt, car payments, and stagnant wages. Holding out the seductive chance to invest a small portion of one's payroll taxes in stocks sounds like getting something for nothing. In addition, young people, like the rest of us, have been exposed to a relentless campaign based on the false notion that Social Security won't survive the retirement of the baby-boomer generation.

But recent analyses show that if Social Security is converted to a system of private accounts, younger Americans would be the ones who'd bear the greatest share of the trillions of dollars in extra costs required for the "transition" to the promised land of privatization. These costs derive from the combined effects of benefit reductions and huge increases in federal borrowing to finance the proposed new accounts. Meanwhile, the current system would continue to rely on payroll taxes for existing benefits for present and soon-to-be retirees.

There is another reason for caution. When you are young, you should assume that you'll be one of life's winners, to be sure. But experience should teach us that not everybody comes out on top, either in the lottery of life or in the stock market. And, should many of these new private accounts go south because of market declines or other misfortunes, the younger generation, in its own old age, would find itself lobbying its own children and some future Congress to bail them out of looming poverty. After all, markets work because they produce unequal results—just what young people count on whether they go to work on Wall Street or buy the occasional lottery ticket.

Reflecting the fact that private accounts are no guarantee of future prosperity, consider the cumbersome accountant's language of the nonpartisan Congressional Budget Office (CBO). "To raise the rate of return for future generations by moving to a funded system, some generations must receive rates of return even lower than they would have gotten under the pay-as-you-go system," the CBO recently reported. In other words, one generation must pay for the cost of retirement for two: those ahead of them, and their own.

The CBO also analyzed the second of the three private account proposals from the President's Commission to Strengthen Social Security, the proposal that some think will be the basis for the plan that will be sent to Congress. The CBO compared the commission's plan to two possible scenarios for the traditional Social Security system, one with payments continuing in full indefinitely and the other with the trust fund becoming depleted in a few decades and payments to retirees shrinking from 80 percent to 70 percent of their current levels. In both scenarios, nearly all those born between 1960 and today would do worse, on average, under privatization proposals.

Another analysis of the commission's "plan two" by economists Peter Diamond and Peter Orszag found that a worker who was 25 years old in 2002 and retired in 2041 at age 65 would see his or her retirement benefits reduced by 25 percent compared with benefits scheduled under current law; a 35-year-old worker would see a reduction of 17.4 percent. Pity the 15-year-old who hadn't even started working in 2002; he or she would see a 31.8-percent loss in benefits by retirement age.

Another way to create private accounts is to divert general funds collected from income and other non-payroll taxes to Social Security. Senator John Sununu and Representative Paul Ryan have proposed plans along those lines, requiring about $7.1 trillion (in present value dollars) to be transferred from general revenues over time. While that approach might mean that young people wouldn't suffer short-term benefit cuts, any proposal that funds current benefits through general revenues would add to debt that eventually would be paid back by today's younger generations and their children through increased taxes and reduced government services.

THE CLOSER YOUNG PEOPLE LOOK AT privatization proposals, the less appealing they will find them. In December, a *Washington Post*/ABC News poll showed that support for private accounts among 18- to 30-year-olds dropped from 67 percent to 45 percent when respondents were told that such accounts could cost as much as $2 trillion. No doubt support will drop even more sharply as young people come to understand how their benefits could decline with private accounts. Since Social Security started in the 1930s, younger generations have been expected to help support their parents' generations in their retirement. It is a lot to ask them to both support older generations and pay for the transition to private accounts through reduced benefits, increased taxes, or both.

On top of that price tag, young people would also confront new risks associated with the market's ups and downs, future inflation, and administrative and annuitization costs. A recent *New York Times* analysis calculated that over a lifetime, a medium-wage worker participating in a Bush-style privatization plan would retire with an account worth only a total $100,000. Even those who paid the maximum in payroll taxes would have only $140,000.

Today's Social Security has been enormously effective in reducing poverty among the elderly, protecting relatives of deceased workers and the disabled, and providing a reliable source of retirement income. Social Security's long-term financing challenges can be met through relatively minor adjustments, which would enable future generations to count on a program that would serve them as well as it has today's retirees and generations before them.

The modest changes required to keep Social Security payments at the current rate, adjusted for inflation, lack the sex appeal of privatization. That may be because privatization proponents are telling only half the story. But isn't the truth the least one generation owes the next? Forget the accounting tricks. The bottom line is that we are—and, one hopes, always will be—in this together. **TAP**

***Richard C. Leone** is president of The Century Foundation and co-editor of* Beyond the Basics: Social Security Reform. ***Libby Perl** is a program officer at The Century Foundation.*

Another Mistaken Racial Stereotype

Contrary to the right's claims, Social Security is a good deal for blacks.

BY WILLIAM E. SPRIGGS

PRESIDENT BUSH HAS DECIDED there's a crisis within the Social Security system. Among the many ways in which his supporters justify the need for immediate action, there's this one: Social Security is a bad deal for African Americans.

It's hard to miss the irony here. The same conservative coalition that has promoted racist federal judges, resisted affirmative action on college campuses, and otherwise advanced a social and economic agenda that affronts American minorities now seeks to champion the cause of black Social Security recipients. A "privatized" system, they claim, would better serve millions of African Americans.

The logic of the conservative groups is that blacks have shorter life expectancies than whites, and thus, a federal retirement program is nothing more than a massive redistribution of assets from working-age African Americans to older, more affluent white seniors.

A quick review of the facts should help us understand why much of the conservative argument is wrong and explain why most African Americans are right to oppose privatization.

FIRST, IT IS TRUE THAT BLACKS HAVE shorter life expectancies than whites. But white men and black women live virtually the same number of years, so this is a discussion about the shorter life expectancies of African American men only. (Incidentally, African Americans might note that those so concerned about their longevity in the context of Social Security aren't worried enough to push for universal health care or minimal sick leave so low-wage workers can go to the doctor.)

Most Americans associate Social Security only with retirement benefits, but the program does much more. Today's Social Security—the Old-Age, Survivors, and Disability Insurance (OASDI) program—builds on Franklin Delano Roosevelt's cornerstone initiative to address those fears that can undermine a democracy, namely "the right to adequate protection from the economic fears of old age, sickness, accident, and unemployment."

Currently, about 70 percent of Social Security benefits go to retirees; the other 30 percent goes to disabled workers and survivors (15 percent each). That creates the view, mainly, of a retirement program. But viewed another way—through awards

granted at a point in time—the program shapes up quite differently. In November 2004, for example, fewer than half of the 424,000 awards by the Social Security Administration were to retirees. Combined, fully half went to survivors (84,000) and the disabled (131,000). The risks of dying prematurely and leaving dependents in poverty, or of becoming disabled—risks that social insurance helps to cushion—are every bit as real as the risks of poverty in old age or outliving your other financial assets.

The result of the shorter life expectancy and poorer health of African Americans is that a disproportionate share of Social Security disability and survivor benefits goes to them. While blacks make up about 12 percent of the U.S. population, 23 percent of children getting Social Security benefits are African American, as are 17 percent of disabled beneficiaries. More than one in 10 black children are either directly getting a Social Security benefit or are helped by a beneficiary. For poor families generally, the National Urban League Institute for Opportunity and Equality finds, the program lifts a million children out of poverty yearly.

The "social" in Social Security comes from having a universal pool of workers to share the costs and benefits of insurance against old age, disability, and death. Reflecting that mission, the program relies on a single formula to calculate benefits across three risk pools. President Bush's reform commission, unable to disentangle the programs when considering how to privatize the retirement account, concluded that disability and survivor benefits would have to be cut, too.

These are exactly the benefits, so valuable to African Americans, that could be jeopardized by privatization. Individual accounts provide nothing in the way of disability benefits, and no redistribution for old-age pensioners. At his recent economic summit, President Bush vowed not to cut benefits for current retirees or anyone "near" retirement. While those near retirement are left to contemplate their fate, the president was implying that those who might become disabled, or children who might get survivors' benefits in the near future, should expect cuts. That would be disastrous for African Americans, further raising black child-poverty rates beyond the increase they have already suffered on Bush's watch.

Social securities, disability, survivorship, and anti-poverty benefits, so valuable to African Americans, would be jeopardized by President Bush's privatization scheme.

While the program does substantially help African American children who would otherwise find themselves poor because of a parent's death, it can't solve black childhood poverty. Gaps in earnings between men and women, and between black and white men in a labor market rife with gender and race discrimination, must be addressed, too.

As for Social Security's success in mitigating poverty for elderly African Americans—for whom Social Security coverage is nearly universal—the record is even stronger. In 2003, 24 percent of black seniors were poor, compared with 34 percent of black children. Equally striking is the effect of Social Security benefits on the relative position of black seniors to whites. In 2003, the gap in household incomes for African Americans aged 45 to 54 was 60 cents on the dollar to white households. But among those 65 and over, blacks received 68 cents per dollar to whites. This is surprising given that 40 percent of black seniors rely solely on Social Security.

In part, the relative well-being of older blacks reflects the narrowing gap in life expectancies between older black and white men. (By age 65, black men average another 14 years of life, versus 16 years for white men.) It also reflects that about half of that gap is explained by differences in education, a good proxy for earnings' potential; blacks and whites who reach retirement are socioeconomically more alike than the young. But, clearly, it also reflects Social Security's success in softening differences in lifetime earnings, as blacks and whites of similar education still have sizeable earnings gaps.

TODAY'S PRIVATIZATION PROPOSALS greatly complicate Social Security and represent a radical reformulation of a universally accepted social contract. Social Security is the only federal program that explicitly models the nuclear family as the beneficiary. Roosevelt's vision was that the new program would insure the family—the basic building block of communities and the basic economic unit—against economic fears. Rewriting the program around individual workers and individual risks would split America along the fault lines of risk pools—those more likely to retire versus those more likely to become ill, and disabled versus surviving children. Is it any wonder that no African American organization wants to play the race card and pit the survivors' benefits of black children against the retirement benefits of senior white women?

Privatization should trouble the African American community for other reasons, too. As was clear during the last election, black voters lean conservative on family matters. Shifting the benefit formula away from being a certainty for family members to the whims of individual workers would not be acceptable. Similarly, risking the reliability of the family benefit by investing in the stock market is gambling to most African Americans—with odds made worse by the higher risk of early death among black men and disability among blacks generally. The time horizon over which the investment may be drawn upon is shorter, making it harder to smooth short-term market fluctuations.

Another Texan, a southern white Democrat, did much to help Social Security live up to its promise. Lyndon Johnson's extension of Social Security to include basic health benefits—under Medicare, in 1965—also effectively destroyed segregated medical facilities in the South, directly addressing issues of

racial health disparities. And other program changes in the 1950s and '60s expanded coverage to millions of African American seniors. Now, President Bush threatens to undo that important progress and split the program into components that would push black beneficiaries into a separate pool. There's a reason he got only about 10 percent of the African American vote last November. **TAP**

__William E. Spriggs__ is a senior fellow with the Economic Policy Institute and former executive director of the National Urban League Institute for Opportunity and Equality.

We've Already Tried Private Accounts!

The 401(k) experience shows that individual account holders often make unwise decisions and are at the mercy of financial markets.

BY ALICIA H. MUNNELL

PRESIDENT BUSH WANTS TO "PRIvatize" a portion of the Social Security program. As part of that debate, we should remember that our experience with 401(k) plans provides some evidence about how well such a program might work. The results to date are not encouraging and should serve as a blinking yellow light.

401(k) plans, which are tax-favored savings accounts, emerged in the 1980s as supplements to traditional employer-defined benefit pensions, where benefits are based on years of service and final salary. Individual 401(k) accounts, funded with employer and employee contributions, end employer liability for pension payments. Not surprisingly, 401(k)s have emerged as the dominant pension arrangement. And in the private sector, most of the responsibility for retirement security has moved from employer to employee.

The supposed advantages of 401(k) plans for employees are twofold. First, workers with 401(k)s can take their full accumulations with them as they change jobs. This arrangement is much better for mobile workers than traditional defined-benefit plans, where, even among firms with identical plans and immediate vesting, workers receive significantly lower benefits than they would have with continuous coverage under a single plan. The portability argument, however, is irrelevant to the Social Security debate because Social Security is a universal defined-benefit plan, and, as such, its benefits are fully portable as people move throughout the labor force.

The second argument offered for 401(k) plans is that they allow people to control their investments and match their investments with their tolerance for risk. Presumably this responsibility is something workers welcome. In fact, the evidence suggests that 401(k) account holders generally make terrible investment decisions, and when offered the opportunity to turn over the decision making to someone else, they grab it.

In theory, workers could do very well under a 401(k) plan. Simple simulations suggest that a worker with a history of average earnings could, through steady contributions, accumulate roughly $300,000 in a 401(k) plan by age 62. In fact, the typical older worker covered by a 401(k) has less than $50,000. Enthusiasts could counter that 401(k) plans emerged only in the early 1980s, so that today's older workers haven't had time to accumulate substantial balances. True. But even those in mid-career appear to be falling considerably short of the amounts needed for secure retirement.

Why the low balances? Employees make a lot of bad investment decisions. A quarter of those eligible to participate in a 401(k) choose not to do so, forgoing an employer match. Less than 10 percent of those who do participate contribute the maximum, often because of low take-home pay. More than half fail to diversify their investments, many overinvest in company stock, and few rebalance their portfolios in response to age or market returns. As a result, many employees lose their retirement savings by investing their entire 401(k) portfolio in company stock, or end up with miniscule balances at retirement by concentrating their investments in money-market funds.

The fundamental problem is that making decisions about saving and investing through 401(k) plans is difficult. Most participants lack sufficient financial experience, training, or time to figure out what to do. As a result, they are swayed by the enthusiasms of the times or, more generally, they simply stay put.

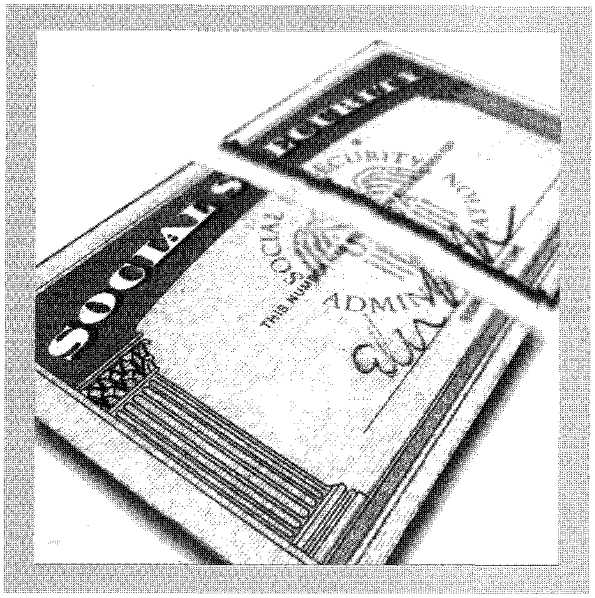
Employers have tried education, but have found that it is very hard to get workers to understand even the basics of investing. In repeated surveys of plan participants, John Hancock Financial Services found that less than one-quarter of respondents characterized themselves as knowledgeable investors. Even those who thought they were knowledgeable showed considerable confusion. It's not that people are stupid; it's just that becoming a financial expert is low on their priority list.

Concern that employees need help led the Labor Department to make a rule change in December 2001 that allows investment companies to hire independent advisory firms to manage 401(k) accounts for individual investors. David Wray, president of the Profit Sharing/401(k) Council of America, which lobbies on behalf of plan sponsors and their employees, wrote in a recent *Wall Street Journal* article, "Employees are saying, 'I don't want to make these decisions—please make them for me.'" But even with this improvement, 401(k)s are no substitute for Social Security.

In short, we have taken private accounts for a test drive, and they have not performed very well. The 401(k) experiment should caution us about transferring even more responsibility for crucial protections to already overburdened workers. **TAP**

__Alicia H. Munnell__ is the Peter F. Drucker Professor of Management Sciences at Boston College, and was formerly a member of the President's Council of Economic Advisers and Assistant Secretary of the Treasury for Economic Policy.

Broken Contract ?



Perhaps the most popular government program in U.S. history, Social Security is the bedrock of retirement for millions of Americans. For 70 years, politicians of every stripe have stood by the promise of Social Security and what it means to future generations, acting together to ensure the program's continued health. But today, so-called "reformers" want to break that promise by pushing a privatization plan that will force the system into crisis—and ultimately make the system and American families far less secure.

The Century Foundation believes that the Social Security promise is worth keeping.

Visit **www.socsec.org** to learn more about how the Social Security program works, its guiding principles, and why the system needs prudent leadership, not half-baked stock schemes.

Learn the facts about the reform debate and the dangers of privatization:

- **Twelve Reasons Why Privatization Is a Bad Idea**
  A Century Foundation Issue Brief
  by Greg Anrig and Bernard Wasow
  14 page issue brief

- **Scare Tactics: Why Social Security Is Not in Crisis**
  Reality Check Series
  By Bernard Wasow
  12 page pamphlet

- **Social Security Reform: The Debate Over Privatization**
  The Basics Series
  64 page pamphlet

Visit our Web site at **www.tcf.org** or our Social Security Web site **www.socsec.org** to download copies of these documents
or
telephone 212-452-7750 for details on ordering copies

The Century Foundation

Headquarters: 41 East 70th Street, New York, New York 10021
Washington, D.C., Office: 1333 H Street, N.W., 10th floor, Washington, D.C. 20005
212-535-4441 ◆ www.tcf.org ◆ www.socsec.org

Continued from page 20
abuse on December 26, 2002, in a *Washington Post* article. "There was a quote from an official who said, 'If you don't violate someone's human rights some of the time, you probably aren't doing your job,'" says Burke, a blond, 42-year-old Catholic University of America law-school graduate, as she sits in a bar at Le Royal Hotel. "I thought, 'This is my country. I can't let this pass.'"

A DOOR TO THE BALCONY OUTSIDE THE HOTEL ROOM IS open a few inches, and, as dusk falls, you can hear the sound of prayers being chanted at mosques around the city. Selwa, leaning back in her chair, says she met Saddan, her husband-to-be, when she was a teenager. He was 34. She wasn't exactly thrilled: "I thought he was too old," she says. But, eventually, he won her heart. "He used to sing for me and recite poems he had memorized," she says. She quotes from Bedouin verse: "Your sweat is like pearls that sparkle."

See You in Court: Lawyers Susan Burke (*left*) and Riva Khoshaba

© CORBIS

In the late 1990s, Saddan received an award from Saddam Hussein for a water-management system he'd devised. He had his picture taken with the then-dictator. But, Selwa insists, her husband wasn't close to Hussein. "He worked for the government, and we supported [the regime]. But my husband was not important at all," she says.

Frank "Greg" Ford, 50, a former California National Guard sergeant who was in Samarra from April through June 2003 and is now a corrections officer at Folsom State Prison in Represa, California, remembers Selwa's husband differently.

"He was considered Saddam Hussein's right-hand man," says Ford, who served in the military for 30 years and has worked as a Coast Guard medical corpsman. "I saw photos of him shaking hands with Saddam Hussein." Ford says an "in-house" source—as well as an Iraqi who had known the family for decades—told them about Saddan.

Speaking on background, a military official says Saddan "was listed as a Baath Party member." And Selwa, says the official, "was believed to be involved with financing and organizing insurgent activities."

Selwa says she believes that a tenant in a property she and her husband owned "snitched on us." "We have a saying in Samarra, she says. "Everything is forgiven except if you have money."

Ford led the raid on their villa. He says that he knew Selwa didn't have any useful information; his informants had told him that Saddan was the prize. That's why Ford took her husband to the police station that night. Yet Ford was appalled by the brutal way the American soldiers treated Saddan. He told them to back off.

"My team leader started beating on this old man," Ford says. "They'd ask him questions, and every time they got a wrong answer—pow!—they'd hit him again. He was about to [have a] stroke." (Ford, who sees himself as a whistle-blower, claims soldiers abused other prisoners at the police station, too; his company commander says Ford was suffering from "combat stress," according to the *Los Angeles Times*. Ford's "allegations are under investigation by the [Army's criminal-investigation unit]," says Lieutenant Colonel Doug Hart, public-affairs chief with the California National Guard.)

"[Saddan] was extremely high-value—a reservoir of information. I said he was not to be harmed in any way," says Ford. "But I had a bad feeling about it."

I tell Ford that Saddan was killed in a mortar attack on April 6, 2004, at Abu Ghraib. "Christ," he says. "I knew they would screw it up." I also tell him that Selwa was taken to Abu Ghraib, and he is shocked. "I never told them to take her," he says. "She didn't know anything."

When Selwa talks about Abu Ghraib and the detention facilities, her voice is soft.

"Whenever I remember, it's like a fire goes out," she says. "Once I saw the guards hit a woman, probably 30 years old. They put her in an open area and said, 'Come out so you can see her.' They pulled her by the hair and poured ice water on her. She was screaming and shouting and crying as they poured water into her mouth. They left her there all night. There was another girl; the soldiers said she wasn't honest with them. They said she gave them wrong information. When I saw her, she had electric burns all over her body."

Selwa says she and a group of women lived in a wing of the prison that was separate from the male unit. Like the other women, she had a small room with a toilet and access to a sink. "There were a lot of maggots," she says. She explains how she would wash her slip and her robe and then put the damp clothes on and let them dry as she was wearing them.

I ask her if she was sexually assaulted.

"No," she says. "They respected me." She pushes her chair away from the table.

Asked if she was ever forced to take her clothes off, she leans back and pulls her jacket over her chest and covers part of her face with her hand. She looks downward and bites her thumb. Her eyes are half-closed, and her shoulders are slumped.

"I don't remember," she says. She folds her arms across her chest and her eyes fill with tears. She stares at the ground. A few minutes later, she excuses herself and leaves the room.

ANOTHER WOMAN HELD IN ABU GHRAIB WAS MITHAL, a 55-year-old supervisor at an electrical company. Arrested on February 26, 2004, she was taken to Al-Sijood Palace, in Baghdad's "Green Zone," and asked about her neighbor, a retired government worker. "I think they were con-

fusing him with some big, important person," she says.

"When they didn't get the answer they wanted, they would put the hood on my head and yank it and make me run across a yard," she says. "I was barefoot, and the yard was filled with sharp stones. The American soldier said if I didn't cooperate, they'd put me in prison for 30 years. He said if I were his mother, he would kill me. This lasted for eight hours. Then they put me in a wooden room and sat me on a chair. They said bad words—hurtful words. They covered me in blankets, one after another until I couldn't breathe. Eight blankets. I pounded my feet against the floor because I was suffocating.

"After that, they took me to [a detention center near Baghdad International Airport]. There, I heard a young woman crying out from her cell, telling an American soldier to leave her alone. She said, 'I am a Muslim woman.' Her voice was high-pitched and shaky. Her husband, who was in a cell down the hall, called out, 'She is my wife. She has nothing to do with this.' He hit the bars of his cell with his fists until he fainted. The Americans poured water over his face and made him wake up. When her screams became louder, the soldiers played music over the speakers. Finally, they took her to another room. I couldn't hear anything more."

"I heard a young woman crying out from her cell. She said, 'I am a Muslim woman.' Her voice was shaky. Her husband, down the hall, called out, 'She is my wife. She has nothing to do with this.'"

Afterward, Mithal says, she was taken to Abu Ghraib. "They stripped me and searched me," she remembers. "Then they gave me blankets and put me in solitary confinement in a room 2 meters by 1 and a half meters. There was no light in the room. I was there for three months."

THE THIRD WOMAN I INTERVIEWED IS KHADEJA YASSEN, a 51-year-old former school principal. She is the sister of former Vice President Taha Yasin Ramadan al-Jizrawi. A high-ranking official of the Hussein government, he was the "Ten of Diamonds" in the Pentagon's "most-wanted" playing cards. She was arrested at home on August 11, 2003, and interrogated about her brother's whereabouts. She was held at various detention facilities, including Abu Ghraib, for five months, until she was released on January 11, 2004.

"After I got there," she told me, "they took me to a room with a dog. It was a huge black dog, and it barked so loudly. It was on a leash, and it was standing two meters from me. I was terrified—I felt as if I would go mad. My legs buckled, and I collapsed. An American soldier—a woman—was standing behind me, and she held me up. I was kept in the room for two or three minutes, and then I was taken to another place for the interrogation. They asked me about my brother. I said, 'I don't know where he is.' They said, 'You have seen the dog. Now tell us the truth.'"

I ask her if they touched her during the interrogation.

"I won't answer this question," she says. "I promised them I would not say anything about this."

WERE IRAQI WOMEN RAPED OR SEXUALLY ASSAULTED by Americans at Abu Ghraib and other detention facilities? None of the women I interviewed would talk about it. "You're asking this question in a culture that kills you for being raped," explains Khoshaba, referring to so-called honor killings, in which women are slain for behaving "dishonorably," which can mean they've had the bad luck to be sexually assaulted.

There are no reliable statistics on honor killings in Iraq. But Yanar Mohamed, 43, president of the Baghdad-based group Organization of Women's Freedom in Iraq, has opened shelters in Baghdad and Tikrit for women who are afraid of family members. About 10 women, including a 24-year-old former soldier, Liqwa, who claims an American soldier raped her, have stayed in the shelters.

Under such circumstances, rape is difficult to prove. Yet reports of sexual abuse and exploitation have crept into government documents. On October 7, 2003, American soldiers held a female detainee's hands behind her back, forced her to her knees, "kissed [her] on the mouth," and removed her blouse, according to a Commander's Report of Disciplinary or Administrative Action. Major General Antonio Taguba reported on the "videotaping and photographing [of] naked male and female detainees" in his May 2004 report on detainee abuse. In their August 25, 2004, report examining the role of military intelligence, Major General George R. Fay and Lieutenant General Anthony R. Jones describe "Incident No. 38," in which "a criminal detainee housed in the Hard Site was shown lifting her shirt with both her breasts exposed. There is no evidence to confirm if [this was] consensual or coerced; however in either case sexual exploitation of a person in U.S. custody constitutes abuse."

And an image shown to members of Congress on May 12, 2004, seems to depict a female detainee exposing her breasts, apparently against her will, according to a high-level Senate staffer. "She just looked like she'd died inside," the staffer says.

Rape has become a potent symbol in Iraq, and propaganda about sexual assault has been used to foment anti-American sentiment and recruit new members for the resistance. But for some, rape has more than a symbolic meaning. A 35-year-old woman named Sundus (she asked that I use only her first name) was hired by Burke's legal team last summer to meet with former detainees and find out about their experiences. A graduate of Iraq's Al-Mamoun University College, where she studied English poetry and Shakespeare, she works to promote civil society in Iraq and is involved in election monitoring. "She's among the new generation who's trying to build Iraq through [nongovernmental organizations] and civil society," says Salah Aziz, president of the Tallahassee, Florida-

based organization American Society for Kurds, who met Sundus in Iraq last summer when she attended his National Endowment for Democracy–funded workshop on NGOs. "She's a strong lady." Between August and December 2004, Sundus says, she interviewed 54 former detainees.

"I think many women who were held at Abu Ghraib were raped by Americans," says Sundus. She wears a lilac *hajib*, which she fiddles with during interviews. She has received death threats because she works with Americans, and she says one Iraqi man told her that if she spoke negatively about the resistance, "'We will put you in the back seat of the car like Margaret Hassan.'"

Sundus explains how Selwa and Selwa's sister came to her office last August. Selwa said she wanted to speak about her detention privately. Her sister left the room. Then Selwa sat down with Sundus. "They did everything bad to me, and may God take them all to hell," Selwa told her. "She began to weep bitterly," recalls Sundus. "She didn't tell the truth to her family."

Male detainees, too, have described the abuse of women. A 42-year-old car broker, Saleh, who was held at Abu Ghraib from October to December of 2003, spoke with Huntington Woods, Michigan-based attorney Shereef Akeel, a member of Burke's legal team, in March 2004. "He said he saw a woman being raped: 'She was on all fours in a hallway outside my cell, and a soldier was raping her. She was looking at me, and I couldn't do anything to help her. Her eyes looked dead,'" says Akeel.

Mahal, a 70-year-old tribal sheik who wears a charcoal tunic and has a gray-speckled mustache, told me he met a female detainee on May 4, 2004, the day they were both released from Abu Ghraib, on a bus ride home. "She sat two rows away from me," he says. "She was wearing a *hajib*, and her face was completely dried up. It looked as though she hadn't seen the sun in a very long time. 'I've seen terrible things,' she said. 'We went through hell.' She was crying and saying women had been tortured and raped."

Nabil is a 37-year-old human-rights lawyer married to Selwa's oldest daughter. He is a tall man with a high forehead, and he is dressed in a white shirt, cufflinks, a wool vest, and wire-rimmed glasses. (He asked me not to use his real name "so I can sleep soundly at night.") He was arrested on September 28, 2003, and held at various detention facilities, including Abu Ghraib, until May 28, 2004. A military official confirms that Nabil was released from Abu Ghraib on that date.

"In November or December, I really can't remember, I was in a room and could hear sounds coming from outside," he says, drinking tea in an Amman hotel room. "The windows were broken, and they were covered with wooden panels. Sometimes I could hear screams and shouts. Women were calling for mercy. There were also children between the ages of 10 and 12. The children became hysterical. I was told the women were tortured in front of their children. One day, a sheik came back from a medical clinic where he'd been treated. He was in tears. 'What happened?' we asked. He told us he had seen a young girl, 15 years old, with internal bleeding. She had been raped over and over again by the soldiers, and she could no longer talk. He is a deeply religious man. But that night, he shouted at Allah. 'How is it possible that you are there and these things are happening?!' he said."

A former diplomat who attended the UN General Assembly in New York in December 2001 ("I had an administrative job," he says), Nabil says he was forced to hear the cries of women during his own interrogations. "I feel this was part of the psychological warfare on me," he says. "They told me, 'You are a diplomat. You once visited countries as a VIP and had diplomatic immunity. This means nothing to us. And we will prove it to you. Everything you have heard about the concepts of democracy, liberty, religious tolerance, and human rights—you can throw them away,'" he says. He grabs a handful of air and pretends to toss something over his shoulder. "They said, 'We are above the law. We have no limits. They call us the special ops. No one has power over us—not even President Bush. If someone dies during interrogation, that is normal.'"

Nabil sits on a luggage rack in the hotel room and describes how soldiers kicked him, beat him, stepped on his fingers, and doused him with ice water. His spine, he says, is now "crooked and twisted." He lifts up a neatly pressed pant leg to show a red hole in his knee where an electrical wire had been inserted.

Today, he says, he still feels ashamed—and tells no one—that his mother-in-law was detained. "The first thing that will come to their minds is that she was sexually assaulted," he says. "As a man, I feel I should have defended her till my death."

MANY EXPERTS WOULD SAY THAT SUCH INTERROGATIONS violate the Geneva Conventions. Nevertheless, a senior U.S. military official told reporters in a background briefing on May 14, 2004, that the interrogations have reaped benefits. "We have gotten some great information on additional terrorist threats in Iraq, on radical Sunni Islamists working with former regime elements and how that working relationship takes place," he said. "And we've also gotten some key information on terrorists." But Anthony H. Cordesman, author of a December 2004 Center for Strategic for International Studies paper, "The Developing Iraqi Insurgency," says it hasn't been enough. The military has stumbled in its efforts to gather even basic facts about the insurgency, Cordesman says, explaining that it has "failed to honestly assess the facts on the ground in a manner reminiscent of Vietnam." According to information provided in a February 2004 International Committee of the Red Cross report, 70 percent to 90 percent of the detainees at Abu Ghraib had little or no intelligence value.

In some cases, the interrogators may have been asking the wrong questions. Victoria, the former bank director who was seized on August 11, 2003, says, "They asked me if I knew where the weapons of mass destruction are." Like many of the former detainees I spoke with, she says someone—an employee at her bank, she believes—tipped off the U.S. forces about her.

"There was always pressure to get information, and some [U.S.] agents didn't have much patience," says David DeBatto, a 50-year-old former Army National Guard counterintelligence agent who was in Iraq from March through October of 2003. He is now a guest commentator on National Public Radio, FOX News, and MSNBC. "As soon as they got information," he says, "they thought it was good. They wouldn't verify

it. Maybe they even embellished it a little."

After I returned from Jordan last December, I received an e-mail from Tony Miller, a U.S. Army Criminal Investigation Command (CID) public-affairs specialist, in response to my questions about prisoner abuse. "CID is looking into the allegations of detainee abuses," he wrote. "[But] we will not get into numbers and types of investigations." When I ask Multi-National Force spokesman Barry Johnson about the sexual abuse of women at Abu Ghraib, he says, "There are no allegations of rape by any female detainees."

I mention the stories I've heard and ask whether or not military investigators have tried to contact the women who have been released. "Well, we don't really have a mechanism for reaching out and finding former detainees," he says. "If we have allegations and they're brought to us, we would open the case."

I point out that it's hard for them to talk about this.

"Certainly, there is a stigmatism in this culture when a female is detained or put in prison," he says. "It has been an education for us to understand this. And when I know there is someone who is talking to people like you, I try to remind you that there are people at the [Iraqi] Ministry of Human Rights—there are females there—and they deal with detainees on a daily basis."

What kinds of things have you heard from them? I ask.

"Well, frankly, I just don't think there have been too many former detainees who have gone to them," he says.

A high-level Senate staffer says the Department of Defense has "stonewalled" senators when they've asked about the sexual abuse of women at Abu Ghraib. "Most, if not all, of the female detainees have never been questioned about whether or not they were sexually assaulted or raped at Abu Ghraib," she writes in an e-mail. "Therefore, as the [Defense Department] spins it, no allegations 'surfaced' so no corrective measures are needed."

ARE THESE FORMER DETAINEES EXAGGERATING THEIR abuse? Are they remembering things wrong? Worst, are they lying? They have a reason to hate Americans. Further, there might be financial rewards for those who are plaintiffs in the lawsuit. As I was introduced to various "torture victims," as members of their legal team describe them, and at other times during my trip to Jordan and since, I've wondered if I was being duped.

"How do you know they're not lying?" I ask Sundus in an airy café as Alanis Morissette plays over the loudspeakers. At a nearby table, a tribal sheik eats pistachios and spits shells into a saucer. "When I sit in front of you, you don't know if I'm telling the truth," Sundus says. "But when you look into my eyes, you find out. Of course, sometimes you get confused. It's natural. But when you depend upon your feeling, you can tell."

On my fourth day in Amman, I hired Ranya Kadri, a reporter and "fixer" who works for the *Los Angeles Times*, *The New York Times*, and *The Washington Post*, to translate my interview with Selwa. Kadri, a kickboxing aficionado, has a reputation for being tough with customs officials, nosy hotel butlers, and journalists ("John Burns is afraid of me," she told me, speaking of *The New York Times* correspondent who won a Pulitzer Prize in 1997 for reporting on the Taliban).

Before the interview, she pulls me aside. "Are you sure she's not trying to trick you?" she asks. "I've seen it happen before. They use fake death certificates and everything." I sit with Kadri across a table from Selwa. After speaking for nearly two hours, Selwa steps out of the meeting room for a break. Kadri turns to me and says, "I believe her. She says she likes Saddam Hussein and things she knows she shouldn't. She's the real thing."

Perhaps, eventually, an American court will decide. The more I thought about the lawsuit, the more it became apparent to me that a legal effort like this can serve as a magnet for people who might have hidden agendas. The members of the legal team have ventured into a treacherous environment: an occupied country at war with itself, where hatred of America runs deep and where the level of intrigue makes *Casablanca* look like a middle-school debating society. Burke et al. have had to assemble their team of investigators and their evidence as quickly as they could, amid danger and chaos, and without long expertise in the area. The pressure on them is not so unlike the pressure that was on the military contractors to generate quick and unambiguous results. It's a possibility that in this sprawling coalition of trial lawyers, activists, and victims thousands of miles away, some uncomfortable truths could be revealed—for example, that some of the women I spoke with actually might have known things that would have been of value to the U.S. military. And it's a possibility that some of the actors in this drama, whether they're working in Baghdad or in the United States, nurture visions of a future Iraq—fundamentalist, or perhaps re-Baathified—that would be repugnant to any liberal sense of justice and the rule of law.

But as long as the government fails to act on evidence that private contractors may have committed torture—or, indeed, fails to come clean on how the policy that condoned torture was devised in the first place—the private lawsuit, however flawed, may be the best legal recourse. A Democratic staffer on a Senate committee studying the issue says, "We don't usually question tactics. But part of me thinks maybe we should. One of the big problems in Iraq was how we conducted the war. They were just nabbing everybody and then sending them to Abu Ghraib. It's not surprising you have these results." Human Rights First's Hurwitz says, "We think the proliferation of reports—from Taguba, Fay and Jones, and others—has actually clouded the issue. Each of the authors has a tiny mandate. In the end, you don't see the truth, which is how cruel and pointless the treatment of detainees has been."

IT'S A SATURDAY AFTERNOON IN WASHINGTON, AND I'M ON the phone with Mithal, who was held at Abu Ghraib. As Mithal says, she never had anything against Americans before they arrived. Now she does.

Her voice sounds scratchy, and I'm almost out of minutes on my prepaid calling card. I ask if there's anything else she wants to tell me. "I am an Iraqi woman, and I refuse to allow an American or anyone else to occupy my land," she says. "They told us they are going to give us liberty, and we have found something totally different." **TAP**

Almost Heaven?

The pharmaceutical lobby is taking its fight to the states. But in West Virginia, they fought back.

BY BARBARA T. DREYFUSS

IN APRIL 2004, SEVERAL MEMBERS OF THE WEST VIRginia House of Delegates flew to Minnesota to speak at a national meeting of the Council of State Governments. The legislators were eager for support from other states to bolster their ongoing effort to force drug companies to lower prices.

Specifically, the West Virginia delegation wanted the council to include its legislation, designed to pressure drug companies to lower prices for state employees and other residents, in the forthcoming book *Suggested State Legislation*, an annual publication that highlights laws considered innovative and worthy of review. On day one, the West Virginia lawmakers were sent before the group's Health Capacity Task Force, which makes recommendations on which health laws to include in the book. Looking around the room, West Virginia officials were shocked to find that of the 23 members present, only eight were legislators and seven were drug-industry employees. And of the 17 guests who were not representing either the council or West Virginia, nine were drug-company lobbyists. The committee refused to recommend the state's law for inclusion.

In and Out: Will new Governor Joe Manchin (*left*) support the law passed under his predecessor, Bob Wise?

AP/WIDE WORLD PHOTO

Still, the West Virginia legislators were optimistic that they would get support the next day when they went directly before the panel with the final say, the Committee on Suggested State Legislation, which is composed solely of legislators. As they entered the meeting room, they saw 20 members of the committee together at a table. Behind them sat rows of well-dressed onlookers. The panel leaders asked the audience members to introduce themselves. As they did so, West Virginia Delegate Don Perdue, there to speak about the legislation he helped draft, winced. Seated behind the legislative panelists were 21 lobbyists from the pharmaceutical industry. "You know you don't have a chance," one panelist whispered to Perdue, just in case he had missed what was painfully obvious. Once again the West Virginia law was rejected for the council's book.

The drug industry's determination to block West Virginia from getting wider state support illustrates how intent it is on fighting every effort to limit its revenues. Fearful that any state's success in containing costs might rapidly be adopted by others, the industry tries to squash significant proposals quickly. Especially over the last four years, the industry has spent tens of millions of dollars trying to prevent any significant cost-control measures from passing, hoping it can bar precedents that might spread to other states or even to the federal level, resulting in drastic cuts in profits. These efforts are likely to intensify as states are facing both local fiscal pressures and the recognition that the Bush administration and the Republican-controlled Congress are not likely to impose measures that would impinge on the profits of their pharmaceutical allies.

Beginning in 2001, as the economy worsened and tax revenues slowed, state budget crises deepened. At the same time, increasing enrollment led to a jump in Medicaid budgets, as did skyrocketing drug costs, which also increased state-employee health costs. Pressed to balance state budgets and to help the uninsured, especially the elderly, state officials looked for ways to cut drug prices, which were soaring way above inflation. One strategy, adopted by about half the states since 2001, was to

demand Medicaid rebates from drug companies above what was required by federal law. Another was to form buying consortiums to purchase drugs for state employees or Medicaid enrollees. More than 320 bills and resolutions related to discounts, subsidies, buying strategies, manufacturer price disclosure, and other cost-containment measures were introduced, and many seriously considered in 2004, according to the National Conference of State Legislatures. Additionally, in desperation, a number of governors and localities started facilitating drug imports from Canada, where prices are considerably lower.

The industry trade association, the Pharmaceutical Research and Manufacturers of America (PhRMA), is now responding in a big way. While the drug industry has long poured money into federal congressional campaigns, it didn't pay much attention to the states until the recent cost-cutting measures began. In the late 1990s PhRMA ran state lobbying from Washington; now, it has opened eight regional offices and hired at least one person in each state to keep watch. For fiscal year 2004, PhRMA budgeted a whopping $48.7 million for state advocacy, as Robert Pear reported in *The New York Times* in June 2003.

In the late 1990s, PhRMA ran state lobbying from Washington; now, it has opened eight regional offices and hired at least one person in each state to keep watch, and it has spent $48.7 million.

In 1998, the drug industry contributed $2.6 million to state candidates and party committees, according to a 2003 study conducted by the Institute on Money in State Politics. In 2002, contributions soared to $6.25 million. Overall, from 1998 through 2002, more than $13 million was given to candidates and state parties, more than half of that going to five key states, mostly to people in powerful legislative and executive positions. "The tacit understanding," says Perdue, "has been if you have larger aims, if you are going to run for wider political office, that the drug industry contributes a lot of money—and they can really hurt you."

Another industry tactic, whenever legislation limiting drug-company revenues gets traction in a state, is to use high-priced lawyers, think tanks, and professors to bombard patient groups, businesses, and poorly staffed legislators with reams of data and reports showing the danger of legislative proposals. These representatives warn patient groups that restrictive pricing will also limit funding for research on new cures for disease and could limit access to needed drugs, and they warn business groups and others that drug companies will pass on costs to them to compensate for such price limits. Drug-company executives see such collaboration with advocacy groups as key to defeating many state initiatives. Wyeth CEO Robert Essner, at PhRMA's 2004 annual meeting, lauded "the powerful and effective state-based patient organizations—groups that we worked arm [in] arm with to defeat restrictive preferred drug lists and burdensome prior authorization requirements."

When laws have been passed at the state level, PhRMA has moved quickly to delay their implementation or challenge their legality. And while debt-strapped states and poorly funded consumer or labor groups have limited resources to fight these challenges, the drug industry throws unlimited resources to block state efforts.

In 2000, Maine became the first state to seek lower prices for uninsured residents, using its control over Medicaid policy as a club against the drug industry. Maine required drug companies to give the uninsured significant discounts or face roadblocks to using their drugs for Medicaid. The law even gave Maine the power to establish price controls on all drug sales in the state if policies did not, within a few years, make lower prices widely available. Maine's efforts were immediately challenged in court by the drug industry, but in 2003, the U.S. Supreme Court let the state implement the plan while court challenges continued. Faced with years of litigation, state officials made changes they hoped would short-circuit the legal challenges, and, in January 2004, started implementing a modified plan. In 2002, Hawaii enacted a version of Maine's law. By 2003, 18 state legislatures had considered proposals like the Maine plan, and three adopted measures that would force price concessions for residents not covered by Medicaid.

In Ohio, a coalition led by the state AFL-CIO was unwilling to wait and see how the courts handled PhRMA's challenge to the Maine law. In January 2002, the state AFL-CIO and a coalition of 300 groups—including churches and consumer, senior, and community organizations—prodded a state legislator to introduce a bill modeled on the Maine initiative. When the Republican-controlled Ohio Legislature and governor kept it bottled up, the coalition decided to force legislative action through a citizens' initiative, which under state law requires legislative action if 96,000 signatures are gathered from half the state's 88 counties. (If legislators still stonewall or oppose a measure, the law allows for a proposal to be taken directly to the voters, if another 96,000 signatures are collected.)

From day one the drug industry fought the coalition. It challenged the initial 100 names the coalition filed to get the petition drive under way, so the coalition submitted a new petition, signed by 100 local and county officials. Once it began, the union-led petition drive collected 143,000 signatures in a mere eight weeks. In virtually every county, PhRMA challenged the petitions. "We spent tens of thousands of dollars fighting the legal challenge," notes Ohio AFL-CIO legislative director Tim Burga. "I didn't anticipate that PhRMA would use a bottomless pit of money to fight us," recalls coalition leader Cathy Levine, executive director of the Universal Health Care Action Network. (Both sides decided to eventually negotiate a much watered-down plan, with PhRMA coming around only after the U.S. Supreme Court ruled that Maine could start its program.)

IT'S WEST VIRGINIA THAT TODAY IS SPARKING NATIONAL interest. Drug costs are a particular burden in the Mountain State, which has the second-lowest per capita income nationally and the fourth-oldest population. (Seniors use the most drugs and often lack drug-insurance coverage.) In 2002, West Virginians averaged 15 prescriptions per person, when the average in the United States was 10.6. That same year, 25 percent of state Medicaid spending went to medicines; in the United States overall, it was 17 percent.

West Virginia House Speaker Bob Kiss decided to act when he realized that the recently passed federal Medicare prescription-drug bill was not going to help states with their expenses and may have even "installed further protectionism on price." In late 2003, he asked House health-committee members and staff to develop a plan to lower drug costs, which was introduced early in the 2004 legislative session. The plan they developed required drug companies to sell in the state at prices negotiated by the federal government for some of its own purchases. These federally negotiated prices are known as the federal supply schedule, or FSS, and are mostly more than 50-percent lower than average wholesale prices of branded drugs. Under the West Virginia plan, companies could get a waiver to sell at higher prices, but only if their manufacturing and research costs, not marketing expenses, justified it.

The bill sped through the West Virginia House, passing unanimously within two weeks. But then it bogged down in the state Senate Health and Human Resources Committee, whose chairman represents part of Morgantown, a city where Mylan Pharmaceuticals has a major facility. Finally, legislative leaders decided to hold a joint House-Senate hearing on the bill in February 2004. Citizens representing senior groups, hospitals, and labor and church organizations spoke in support; the drug industry, pharmacists, the West Virginia Camber of Commerce, a television manager, and veterans spoke against it.

PhRMA had been particularly successful in persuading some veterans groups to oppose the measure. The industry organization contacted various veterans groups and invited them in on a conference call about the bill and its effects. During that call, PhRMA essentially fed them misinformation, claiming that the proposal would increase veterans' costs when, in fact, veterans only pay a co-payment determined by Congress, unrelated to what the Department of Veterans Affairs (VA) actually pays. And even if it were related in the future to the VA's own costs, the VA has won prices substantially lower than the FSS level for most drugs.

Veterans responded to PhRMA's briefing by writing to legislators. "I was not aware of it before we were contacted by [PhRMA]," says National Association for Uniformed Services legislative director Ben Butler. "Basically, we drafted our letter based on the information that I was provided in that conference call. So, while I can't remember exactly what was said during the conference call, I can tell you that what was in our letter was a reaction to that."

The veterans' efforts had a big impact on legislators. "It caused a lot of heartburn with legislators because nobody wants to harm veterans," says Perdue, who is chairman of the House health panel. The week before the February 2004 hearing, Senate health-panel Chairman Roman Prezioso received a petition signed by some 200 veterans on the issue, plus the letter from Butler, which he read on the Senate floor. Drug-industry lobbyists were quoted in the local press making the same arguments.

Maine Event: In 2001, then-Governor Angus King (*left*) celebrates as his state's law takes effect.

During the hearing, Boston University School of Public Health professor Alan Sager, invited to testify by House supporters of the proposal, offered a point-by-point refutation of the arguments put forth by veterans groups and a strong endorsement of the legislation. Within a few weeks, Sally Pipes, president of the free-market think tank Pacific Research Institute, wrote a scathing critique of Sager's testimony and circulated it to lawmakers and the media. Institute officials acknowledge that they receive drug-company money but say it is less than 1 percent of their funds; PhRMA, the Lilly Endowment, and Pfizer are listed among the group's $10,000-and-above donors for 2003.

Finally, on March 13, 2004, the last day of the legislative session, with many senators still amenable to drug-industry arguments, a compromise plan was worked out. Instead of mandating that drug companies sell to the state and the uninsured at FSS prices, lawmakers created a council to choose a pricing schedule, a plan for implementing it, and other ways to lower drug costs. Under the law, whatever pricing schedule the council adopted, the Legislature had to either endorse or reject it by the

end of 2005. One of the more innovative and industry-threatening parts of the law allows private insurers, small businesses, and individuals to also take advantage of the program to get lower-cost drugs. And because lawmakers were concerned that the drug companies would stop selling in the state, they included specific provisions to prevent this.

Even though the law did not force drug companies to adhere to the federally negotiated pricing list, the drug industry was nervous. At PhRMA's annual meeting in June 2004, its retiring president, Alan Holmer, citing West Virginia's law and a few other events, warned members that "free-market pricing is now at increasing jeopardy in the U.S." Immediately after the plan passed, the drug industry went into high gear to make sure the council would put forth innocuous proposals. PhRMA hired six more lobbyists, bringing to nine the total registered with the West Virginia Ethics Commission. Another 26 people were registered by individual drug companies to lobby the Legislature. In the end, in a state with only 138 legislators, the drug and biotechnology industries registered 35 lobbyists.

What's more, PhRMA sought lobbyists with political connections. Perhaps its most significant catch was Phil Reale, hired as local counsel in May. Reale, who used to hold the same position for Wyeth Pharmaceuticals, has been PhRMA's chief spokesman on the fight over pricing in West Virginia. What has a number of Democratic officials outraged is that Reale is also the general chairman of the West Virginia Democratic Legislative Council, an arm of the Democratic Party charged with maintaining and increasing Democratic control of the Legislature. Reale says not to "attach much significance" to his being the council head, saying it is not an important post in West Virginia. But the group's official Web site quotes a number of legislators who attributed their election victories to its help. In the 2001–02 campaign cycle, its political action committee spent almost $163,000 (a small but helpful amount in tiny West Virginia), which included salary for a staffer, direct mail, and get-out-the-vote and media efforts, according to the Center for Public Integrity.

Another important lobbyist for the industry in West Virginia is Thom Stevens, who represents Purdue Pharmaceuticals, Glaxo Wellcome, and Eli Lilly. Legislators raise concerns that he also lobbies for the American Academy of Family Physicians. They believe he has tried to bias doctors against the legislative efforts through comments in the legislative newsletter he sends out on behalf of family physicians.

From April through October of 2004, the West Virginia Legislature's drug-pricing council met every two weeks, developing a benchmark for price negotiations, a plan to simplify access to free drugs for the poor, and other proposals to make lower-priced drugs more available. The meetings were open to the public, and at times, say attendees, council members were outnumbered by a platoon of pharmaceutical lobbyists who came armed with briefings and reports from their lawyers. "In a state where most legislators are part time ... and the Legislature has a small staff," says Kevin Outterson, a law professor at West Virginia University and a council member, "the industry can roll in, bring in national experts, have responsive memos to relatively minor points pushed out by gigantic law firms."

Despite this, the council in September recommended that West Virginia use the federal government's negotiated price list (the FSS) as a base for determining prices with drug companies. The council concluded that if the state bought drugs at the federally negotiated rate, it could save $24 million for Medicaid and $19 million for state employees per year just on the 25 most commonly used drugs. The council also recommended a cabinet coordinator for state drug purchases and encouraged West Virginia to join other states for greater leverage. These proposals were unanimously endorsed at a special legislative session in mid-November, and two weeks later, the governor created the cabinet-level coordinator post.

Manchin's daughter is a vice president for Mylan Pharmaceuticals, based in the state, and the drug industry gave $62,000 to his gubernatorial run.

The catch is that it will be up to the next governor to appoint a negotiator, reach out to other states, oversee how tough the negotiations will be, and decide if there will be any penalties for companies that refuse to give major price concessions. The drug industry is hoping that the new governor, Democrat Joe Manchin, will be more cooperative than confrontational. For one thing, Manchin's daughter is vice president of government and public relations for Mylan Pharmaceuticals, a generic-drug firm that recently bought a brand-name company. With election reports incomplete, tallies thus far indicate that the drug industry contributed more than $73,000 to Manchin's 2004 campaign, much of it from Mylan employees, according to the Institute on Money in State Politics.

Many states have been watching West Virginia closely. First, they wanted to see what the Legislature would do. Now, they are waiting to see how successful the state is in lowering prices.

These state-level efforts are critical. The Bush administration has just come down against allowing lower-priced drug imports, and neither the administration nor Congress is likely to squeeze their drug company allies for major pricing concessions in Medicare, Medicaid, or otherwise. What will keep the drug companies' feet to the fire will be continued public agitation. Chellie Pingree, the former Maine Senate majority leader and current Common Cause president, who introduced the Maine drug-discount bill, notes that the keys to her success in Maine were the phone banks organized by seniors groups and the large public meetings of grass-roots supporters, which swayed key officials to back her bill despite tremendous drug-industry opposition. After all, even PhRMA knows the customer is always right. **TAP**

Barbara T. Dreyfuss *is a freelance writer in the Washington, D.C., area.*

Hired Education

A hidden culprit in the drug scandals: the increasingly corporatized university.

BY JENNIFER WASHBURN

M. MICHAEL WOLFE, A GASTROENTEROLOGIST at Boston University, admits he was duped by the Pharmacia Corporation, the manufacturer of the blockbuster arthritis drug Celebrex. (In 2003, the company was purchased by Pfizer.) In the summer of 2000, *The Journal of the American Medical Association* asked Wolfe to write a review of a study showing that Celebrex was associated with lower rates of stomach and intestinal ulcers and other complications than two older arthritis medications, diclofenac and ibuprofen. Wolfe found the study, tracking 8,000 patients over a six-month period, persuasive, and penned a favorable review, which helped to drive up Celebrex sales.

TOM MARESCHAL/GETTY IMAGES

But early the next year, while serving on the Food and Drug Administration's (FDA) arthritis advisory committee, Wolfe had occasion to review the same drug trial again, and was flabbergasted by what he saw. Pharmacia's study had run for one year, not six months, as the company had originally led both Wolfe and the *Journal* to believe. When the complete data was considered, most of Celebrex's advantages disappeared because the ulcer complications that occurred during the second half of the study were disproportionately found in patients taking Celebrex.

"I am furious," Wolfe told *The Washington Post* in 2001. "I looked like a fool. But ... all I had available to me was the data presented in the article." Remarkably, none of the *Journal* study's 16 authors, including eight university professors, had spoken out publicly about this egregious suppression of negative data. All the authors were either employees of Pharmacia or paid consultants of the company.

Celebrex, an anti-inflammatory drug similar to Vioxx, is once again in the news due to concerns that it may be associated with the same cardiovascular risks that caused Vioxx to get yanked from the market. In recent months, we've heard a great deal about conflicts of interest at both the FDA, the agency that approves drugs for public safety, and the National Institutes of Health, where publicly funded scientists moonlight as consultants for the very companies that manufactured the drugs they are testing. Still largely ignored, however, is the role played by the once-autonomous ivory tower and the university scientists who, either knowingly or unknowingly, facilitate the pharmaceutical industry's manipulation of drug testing by lending it an aura of objectivity.

Today, market forces are dictating what is happening in the world of higher education as never before, causing universities to look and behave more and more like business enterprises. Instead of honoring their traditional commitment to teaching, disinterested research, and the broad dissemination of knowledge, universities are aggressively striving to become research arms of private industry. Faced with declining government funding, they are avidly seeking to enhance their role as "engines" of economic growth, promising state legislators and governors that they will help drive regional economic development by pumping out commercially valuable inventions.

This radical redefinition of the university's mission can be traced back to the economic stagnation of the 1970s. Propelled by heightened competition from Germany and Japan, Congress passed landmark legislation in 1980 that allowed universities to automatically retain the rights to intellectual property stemming from taxpayer-financed research. The intent of the legislation, popularly known as the Bayh-Dole Act (its sponsors were Sena-

tors Birch Bayh and Bob Dole), was to stimulate innovation and speed the transfer of federally financed research to industry. What it accomplished in the process was the introduction of a dangerous new profit motive into the heart of the university.

As a result, schools now routinely operate expensive patenting and licensing operations to market their faculty's inventions, extracting royalty income and other fees in return. They invest their endowment money in risky startup firms founded by their professors. They run their own industrial parks and venture capital funds. They publish newsletters encouraging faculty members to commercialize new research by launching independent, faculty-owned companies. Star professors consult for, or hold equity in, the same firms that manufacture the drugs they are studying, while also often accepting generous fees to join corporate advisory boards and speakers' bureaus. Sometimes these professors even hold the patent to the drug or device being tested. In a study of 800 scientific papers published in leading journals of medicine and molecular biology, Sheldon Krimsky, a professor of public policy at Tufts University, found that slightly more than a third of the lead authors based at research institutions in Massachusetts had a significant financial interest in their own reports. So pervasive are such ties that journal editors now frequently complain that they can no longer find academic experts who do not have a financial interest in a drug or therapy the journal would like to review.

Research suggests that publicly funded science, most of it performed at universities, was a critical contributor to the discovery of nearly all of the 25 most important breakthrough drugs introduced between 1970 and 1995. If university scientists lose their independence, who will perform this pathbreaking research and objectively evaluate the safety and effectiveness of drugs already on the market? Conflicts of interest are more than an academic concern. When it comes to health policy, they pose a serious threat to public health.

WITH THE POSSIBLE EXCEPTION OF BUSINESS schools, the nation's medical schools have been more infiltrated by industry than any other sector of the university. Pharmaceutical companies sponsor daily lunches for medical students at which they market their latest drugs; they ply professors with fancy dinners, gifts, luxurious trips, and free prescriptions designed to influence medical decisions and prescribing habits. The drug industry also spends millions of dollars financing clinical drug research at the academy, but increasingly this money comes with many more strings attached. After conducting a thorough review of the medical literature for *The New England Journal of Medicine* in 2000, Thomas Bodenheimer, an internist at the University of California, San Francisco, concluded that academic investigators were rapidly ceding to industry control over nearly every stage of the clinical research process.

In the past, for example, it was common for university scientists to initiate the research protocol. Now, studies are frequently conceived and designed in the company's own pharmacological and marketing departments, thus removing this formative stage of the research from academic hands almost entirely. The company then shops the study around to various academic institutions (and a growing number of competing for-profit subcontractors that run clinical trials) in search of investigators to conduct the research. As university medical schools have grown more dependent on industry grants to sustain their operations, their professors have become increasingly willing to accept an industry-initiated protocol without modification, even though the study may be largely designed to secure a company's market position. Should a professor reject the study or insist on changes, another university scientist will very likely be more solicitous.

Industry also encourages the use of ghostwriters on scientific papers. This means an article or review bylined by a prominent academic might in fact have been written by a medical-communications company working for the drugmaker, with the "author" paid an honorarium to attach his or her name to it. When Wyeth-Ayerst sought to boost market demand for Redux, one part of the once highly popular "fen-phen" diet-drug combination, the company hired a company called Excerpta Medica to help draft the manuscripts and pay doctors to review and sign the articles. One of the many doctors who signed Excerpta's papers was Richard Atkinson, a renowned obesity expert at the University of Wisconsin-Madison. Atkinson denied having any knowledge of Excerpta's connection to Wyeth, but as an independent academic, he nonetheless agreed to lend his name to a company he apparently knew little about. (Excerpta maintains that all its authors were told of the company's association with the manufacturer.) In a deposition on January 15, 1999, Wyeth-Ayerst executive Jo Alene Dolan admitted that her company had written the article for Atkinson, stressing that all drug companies ghostwrite articles. Shortly before the article could be published, Redux was pulled from the market because of its association with serious heart and lung problems.

Scientists who perform industry-sponsored research are also asked routinely to sign legal contracts requiring them to keep both the methods and the results of their work secret for a period of time. Research conducted by David Blumenthal and Eric Campbell, health-policy researchers at Harvard University, suggests that data withholding and publication delays have become far more common over the last 25 years, particularly in molecular biology, medicine, and other life-science disciplines, where commercial relationships have grown dramatically in recent years. In a survey of 2,167 life-science faculty, Blumenthal found that nearly one in five of them had delayed publication for more than six months to protect proprietary information.

Industry also manipulates academic research by suppressing negative studies altogether. Recently, it came to light that a whole class of popular antidepressants—including such heavily prescribed drugs as Paxil, Zoloft, and Prozac—are largely ineffectual in treating childhood depression and actually increase the risk of suicide. One of the main reasons this information was not available to doctors and the broader public, it turns out, is that the academic investigators who led these studies either allowed industry to bury their research or were complicit in downplaying negative findings in their own published papers. How prevalent is such corporate meddling? The question has received surprisingly little scholarly attention, but what research does

exist is not encouraging. One survey of major university-industry research centers in the field of engineering, for example, found that 35 percent would allow corporate sponsors to delete information from papers prior to publication.

But all the blame for the eroding objectivity of university researchers does not rest with industry. Universities themselves are complicit: They are so financially invested in their professors' research through patents, equity, and other financial holdings that their disinterested pursuit of knowledge has been gravely compromised. For instance, when the Harvard Center for Risk Analysis' longtime director, Professor John D. Graham, was nominated by President George W. Bush to become the government's "regulatory czar" at the Office of Information and Regulatory Affairs (part of the Office of Management and Budget), it helped to expose just how extensive Harvard's financial conflicts really were. Congressional hearings revealed that Graham's center solicited tobacco money and worked with the tobacco industry to disparage the risks of secondhand smoke. (Harvey Fineberg, a dean at the Harvard School of Public Health, demanded that one check from Philip Morris be returned. In response, Graham wrote to the company asking if it might send the $25,000 back to the Harvard center via the Philip Morris subsidiary Kraft Foods instead.) Graham's center also argued that cell-phone use by drivers should not be restricted, even though its own research, which was funded by AT&T Wireless Communications, showed that such use could lead to a thousand additional highway deaths a year. As a member of the Environmental Protection Agency's scientific advisory board subcommittee on dioxin, a known human carcinogen, Graham argued that reducing dioxin levels might "do more harm ... than good." His Harvard center, meanwhile, was heavily funded by dioxin producers.

One Harvard dean demanded that a check from Philip Morris be returned. But Graham, director of the Center for Risk Analysis, asked that the check be sent back via its subsidiary, Kraft Foods.

Worse yet, the universities' loyalties are now so conflicted that schools are increasingly willing to cave in to narrow commercial demands rather than defend their own professors' academic freedom or the public interest. When researchers at the University of Utah discovered an important human gene responsible for hereditary breast cancer, for example, they didn't make it freely available to other scientists, even though we—the U.S. taxpayers—paid $4.6 million to finance the research. The university raced to patent it, then granted the monopoly rights to Myriad Genetics Inc., a startup company founded by a University of Utah professor, which proceeded to hoard the gene and prevent other academic scientists from using it.

Professors, too, are increasingly driven by the bottom line. More and more, they not only accept industry grants to support their research but also hold stock in or have other financial ties to the companies funding them. Many experts fear this skewing of professors' research toward short-term commercial goals will impede long-term scientific and technological innovation. Financial entanglements between researchers and corporations have grown so common that the Securities and Exchange Commission (SEC) has investigated numerous academic researchers suspected of engaging in insider trading. In a case filed in Pennsylvania, the SEC charged Dale J. Lange, a Columbia University neurologist, with pocketing $26,000 in profits after Lange bought stock in a company that was about to release promising new findings concerning a drug to treat Lou Gehrig's disease. Lange had good reason to expect the stock to soar because he had conducted the confidential clinical trials himself. In 2000, an investigation by *USA Today* found that more than half the experts hired to advise the U.S. government on the safety and effectiveness of drugs—a large number of whom are academics—now have financial links to companies that will be affected by their conclusions.

When Wyeth-Ayerst was trying to get its diet drug, Redux, approved for sale in the United States, for example, it faced a serious hurdle: Patients in Europe who had taken a drug virtually identical to Redux had an increased chance of getting a rare, life-threatening lung ailment known as pulmonary hypertension. To combat this negative health profile, the company packed an FDA hearing room with a who's who list of the nation's top academic obesity experts, all of whom were *also* paid consultants to Wyeth-Ayerst or other companies involved in the sale of Redux. In addition, the company recruited expert "opinion leaders," such as George Blackburn, a renowned obesity expert at Harvard, to testify before the Medical Society of Massachusetts for approval of the drug. Blackburn and other academic luminaries further participated in the company's "Visiting Important Professors Program" and were paid thousands of dollars in honoraria to fly to fancy resorts and promote Redux at medical conferences. Not surprisingly, the drug handily won market approval, and prescriptions in the United States began to soar.

Soon, however, evidence of the drug's association with lung damage surfaced once again, and the company turned to leading university scientists to do damage control. In the summer of 1996, an internal company memo revealed that the company was planning to spend $5.8 million to pay for more university-based studies, noting that that money was needed to "establish and maintain relationships with opinion leaders at the local and national level to communicate to their colleagues the benefits of Redux and to encourage its use." Among the many doctors willing to heed the company's call was Atkinson, the obesity expert at the University of Wisconsin, whose name appeared on a company-authored article. "Let me congratulate you and your writer," wrote Atkinson in a thank-you letter to the ghostwriting

firm that was one of numerous company documents that became public during subsequent legal proceedings. "Perhaps I can get you to write all my papers for me!"

SO HOW DOES THIS GROWING WEB OF ACADEMIC-industry ties affect research outcomes? A vast body of work suggests that industry-funded research is far from impartial. In 1996, Stanford researcher Mildred Cho co-authored a study in the *Annals of Internal Medicine* that found that 98 percent of papers based on industry-sponsored research reflected favorably on the drugs being examined, compared with 79 percent of papers based on research not funded by industry. An analysis published in *The Journal of the American Medical Association* in 1999 found that studies of cancer drugs funded by the pharmaceutical industry were nearly eight times less likely to reach unfavorable conclusions than similar studies funded by non-profit organizations. More recently, a systematic review of 1,140 clinical trial studies, published by researchers at Yale in 2003, concluded that, from cancer to arthritis to cholesterol, the evidence is overwhelming that when research is industry-sponsored, it is "significantly more likely to reach conclusions that [are] favorable to the sponsor" than non-industry-funded research.

One study found that 98 percent of research papers based on industry-sponsored research reflected favorably on the drugs being examined.

In the area of health and drug research, of course, the results of such manipulation can be deadly. Running down the list of drugs recently pulled from the market or subject to increased health warnings—Rezulin, the diabetes drug; Redux (or fen-phen), the diet drug; Retin-A, the anti-wrinkle cream; Neurontin, the epilepsy drug; Paxil, Zoloft, and the many other antidepressants now deemed ineffective for children—one finds that a remarkable number of prominent university professors with close financial ties to the manufacturers played a central role in lobbying for these drugs to be approved, recommending them to other doctors, and, in many cases, urging that they remain on the market long after the problems or lack of effectiveness became known. Not infrequently, the university scientists who shill for the drug companies most aggressively are also the biggest-name professors in their fields.

Universities have gone out of their way to assure the public that their clinical trials meet the highest standards of "scientific excellence" and "academic rigor." But over the last 20 years, public dismay over the growing financial entanglements in clinical research has prompted the federal government to impose tougher conflict-of-interest regulations, only to encounter fierce university opposition. In 1995, the federal government finally succeeded in pushing through rules that would apply to all academic researchers funded by the Department of Health and Human Services (HHS) or the National Science Foundation (NSF). But the rules, which remain in place today, were not tough enough to be effective. Although they mandate that serious conflicts of interest must be managed and/or eliminated, they leave the determination of what action is to be taken, if any, entirely up to the university. The policy also doesn't provide any guidance on which conflicts warrant serious attention, nor does it impose any prohibitions, such as banning financial conflicts outright in the area of human-subject research. Significantly, the policy also says nothing about institutional conflicts of interest.

The result, not surprisingly, is that university conflict-of-interest rules vary widely. One comprehensive 2000 survey of the written policies at 100 academic institutions found that only 55 percent of schools required disclosure of conflicts of interest from all faculty, and only 19 percent specified any limits on researchers' financial ties to corporate sponsors. Worse yet, under this fragmented system, there is enormous pressure on universities to keep their policies lax. Schools with tighter restrictions run the risk of losing talented faculty to competing schools with more permissive policies, where the financial rewards and commercial prospects are likely to be greater.

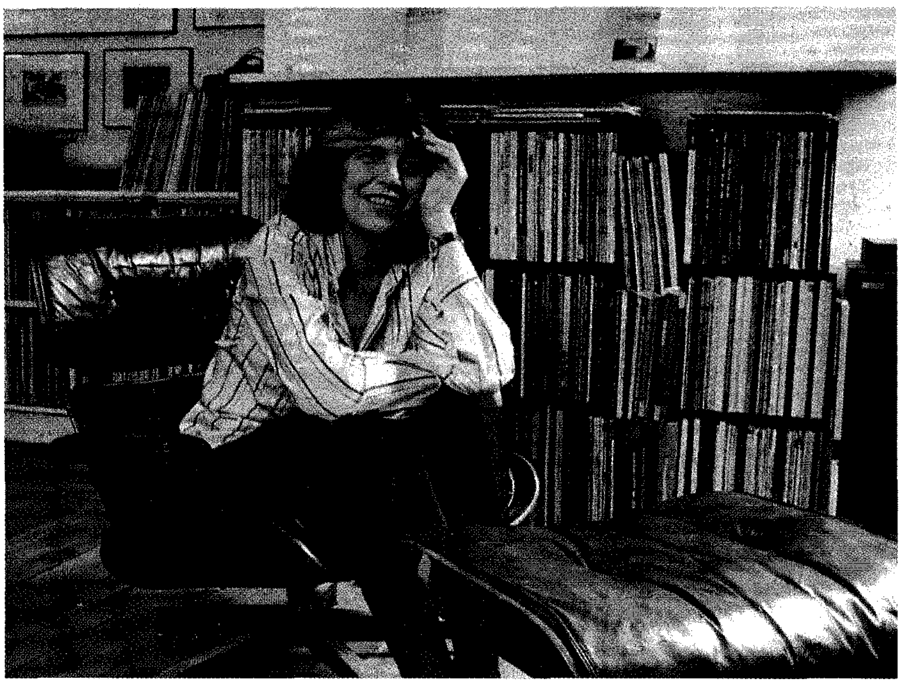
Another conspicuous problem with the HHS/NSF policy is that it does not require universities to make any of the information they compile on faculty financial conflicts available to the public. Many academic journals do require their authors to disclose corporate financial ties. But in practice, reporting is astonishingly poor. In a 2001 study, Tufts' Krimsky found that a mere 0.5 percent of the 61,134 papers appearing in 181 peer-reviewed journals contained statements about the authors' financial ties. More recent studies have found similarly low levels of reporting.

In some respects, the whole debate reflects how far the academic world remains from dealing seriously with the issue; disclosure of potential conflicts of interest is, after all, a far cry from eliminating them outright, as many professions not only recommend but also require. In the legal profession, for example, attorneys are prohibited from taking on cases in which they have a financial interest or other explicit conflicts that might be seen to compromise their professional integrity. The same is true of judges. But when it comes to academia, neither the medical community nor the government (whether through Congress or the regulatory agencies) has taken up the task, instead proceeding under the assumption that universities can be trusted to manage these commercial interactions themselves. It's a nice idea. But are academic institutions really capable of performing this function? There is good reason to be skeptical: Far from being independent watchdogs capable of dispassionate inquiry, universities are increasingly joined at the hip to the very market forces the public has entrusted them to check, creating problems that extend far beyond the research lab. **TAP**

Adapted from the book University, Inc.: The Corporate Corruption of Higher Education, *by* ***Jennifer Washburn****.*

Culture & Books

"Peterson's book is emblematic of a media cliché holding both parties responsible ... for the looming fiscal catastrophe that he exaggerates." —PAGE 38



On Being Photographed: Susan Sontag at home in New York, 1989

CULTURE

THE MIND AS PASSION

Her job, Susan Sontag wrote, was to defend a higher "standard of mental life." Maddeningly, but above all bravely, that's what she did.

BY SCOTT McLEMEE

ONCE UPON A TIME, AMERICAN intellectual life featured a ritual known as the *Partisan Review* symposium. It was a solemn event, combining elements of high Mass and a boxing match. Here is how it worked: Every year or so, the tribal elders, gathering in the journal's offices in New York, would prepare a list of questions about some grand topic in contemporary politics or culture. The questionnaires were sent out to a select group of thinkers, and their answers printed, in batches, across two or three issues of the journal.

It was a ceremony of ideological boundary testing, of defining both the core of Cold War liberal thought and its radical margin. In 1952, it was Norman Mailer and C. Wright Mills who made defiant gestures at the outer limits. In 1967, Susan Sontag played that role in her essay "What's Happening in America?" It was the last performance of the ritual of any importance, for the very notion that Cold War liberalism might have a radical margin was already looking anachronistic.

Sontag's contribution embodied the Third Worldist fantasies of the New Left at their most stridently aphoristic, with its comment, subsequently oft-repeated, that "the white race is the cancer of history." In 1978, in *Illness as Metaphor*, Sontag repudiated that Fanon-driven moment of rhetorical overkill. But not all of her response has aged badly. Reading it again, not long ago, I laughed at her rejoinder to the editors' question about "the meaning of the split between the Administration and the intellectuals" resulting from the Vietnam War. Its meaning, she answered, was simply "that our leaders are genuine yahoos, with all the exhibitionist traits of their kind, and that liberal intellectuals (whose deepest loyalties are to an international fraternity of the reasonable) are not that blind." Déjà vu!

IN LATE DECEMBER, WHEN SUSAN Sontag died in New York City at age 71, another ceremonial gathering of the intelligentsia, albeit of a very different kind, was under way a couple of hours down the road. In Philadelphia, several thousand professors of literature had assembled for the annual convention of the Modern Language Association (MLA).

If the *Partisan Review* symposia recalled the cafeterias of the 1930s and '40s—where smart young people with poor job prospects could gather to debate the merits of the new Auden poem or dissect the latest stunning twist of Soviet policy—the atmosphere at the MLA is a lot more like a trade show. People go to market their ideas, or themselves, or at least to try. (The sad mood hanging in the air for several years now has been that both jobs and new ideas are getting ever harder to find.)

It was pure coincidence, of course. But the timing of Sontag's death seemed to underscore her peculiar role, over the course of four decades, as "the last intellectual," to borrow the title of her essay on

Walter Benjamin, which originally appeared in *The New York Review of Books* in 1978. She had escaped what William James once denounced as "the Ph.D. octopus"—a phrase that, when he coined it in 1903, called to mind the pernicious effect of monopolies and trusts. She was certainly a public figure, and mediagenic to an uncommon degree. Yet Sontag did not especially resemble the current model of the "public intellectual" (often an academic parachuting into the camera's eye with a prepared statement).

There were long periods when she simply disappeared from view. When she returned, it might be with an essay on a topic so utterly uncontemporary as Japanese puppet theater or the fiction of Machado de Assis. Indeed, with much of Sontag's work during the '80s and '90s, there seemed to be an element of capriciousness in her choice of topics. She had avoided the constraints of scholarly "professionalization," to use that rather grim word so beloved of the MLA folk. The price was a tendency toward genteel self-delight that—because of its aristocratic tone, and her solemn manner as Great Writer—could be quite maddening, even to an admirer.

PERHAPS ESPECIALLY TO AN ADMIRER. My first recollection of reading her goes back a quarter-century, to the moment when (determined to get an education, despite the best efforts of the Texas public-school system to the contrary) I got hold of a copy of *Against Interpretation and Other Essays* from the Carnegie-funded public library in the next county. It was the original hardback, from 1966, its dust jacket wrapped in Mylar. Before opening the book itself, I sat looking at the photo on the back. It showed a woman looking down, so lost in thought that she could not possibly be aware of her own beauty.

At the end of the title essay, Sontag wrote, "In place of a hermeneutics we need an erotics of art." For me, this sentence meant, for one thing, an appointment with the dictionary. But its most important implication was already clear: So the yearning for cultural sophistication didn't need to be at odds with the even stronger desire for carnal knowledge! That was a relief. A few months later, opening Sontag's then-new book, *Under the Sign of Saturn* (1980), I found that one of the essays was called "Mind as Passion." Its subject was the German writer Elias Canetti, but the title itself promised that it would be Sontag's own self-portrait.

Testimony to my own adolescent devotion seems worth recording, despite its embarrassments—though not because it was some unique private experience. On the contrary, it appears to have been fairly common among bookish people over the years. It was not simply that she took a striking photograph. The real seduction occurred sentence by sentence.

The obituaries emphasized Sontag's celebration of popular culture, of heralding the breakdown of cultural hierarchies—a reputation that will endure so long as people don't read her carefully.

It is a commonplace to announce that Sontag captured and embodied the cultural and political moment of the '60s and '70s. But the characteristic tones and maneuvers of her writing, at its best, actually had a very different provenance. She practiced what Irving Howe called "the style of brilliance" of the New York intellectuals of the '40s and '50s. "It is a kind of writing highly self-conscious in mode," as Howe put it, "with an unashamed vibration of bravura and display. Nervous, strewn with knotty or flashy phrases, impatient with transitions and other concessions to dullness, willfully calling attention to itself as a form or at least an outcry, fond of rapid twists, taking pleasure in dispute, dialectic, dazzle—such, at its best or its most noticeable, was the essay cultivated by the New York writers."

WITH SONTAG, THE STYLE OF BRILLIANCE lent itself to recording the experience of a mind trying to map its own labyrinths, and to take an inventory of its own obsessions. The narrative voice of her short story "Debriefing," from 1973, puts it best:

> We know more than we can use. Look at all this stuff I've got in my head: rockets and Venetian churches, David Bowie and Diderot, nuoc man and Big Macs, sunglasses and orgasms. How many newspapers and magazines do you read? For me, they're what candy or Quaaludes or scream therapy are for my neighbors ... . And we don't know nearly enough.

The habit now is to speak as though "information overload" were a recent development. In 1964, Sontag wrote of living in "a culture based on excess, on overproduction," in which there is "a steady loss of sharpness in our sensory experience"—with no good effects for moral sensibility, either. The real theme of her book *On Photography* (1977) was the role of technology in the super-saturation of consciousness. "A capitalist society requires a culture based on images," she wrote, furnishing "vast amounts of entertainment in order to stimulate buying and anesthetize the injuries of class, race, and sex. And it needs to gather unlimited amounts of information, the better to exploit natural resources, increase productivity, keep order, make war, give jobs to bureaucrats."

Of course, the obituaries emphasized Sontag's celebration of popular culture, of heralding the breakdown of cultural hierarchies—a reputation that will endure so long as people don't actually read her all that carefully. Except for her acclaimed "Notes on 'Camp,'" from 1964, and a related essay on low-budget science-fiction films published the following year, Sontag never wrote on popular culture as such. And the striking thing about her essay on camp is its deep ambivalence. She traces the celebration of mass culture that's so bad it's good to the threat of boredom in "societies or circles capable of experiencing the psychopathology of affluence." She notes "a sharp conflict in my own sensibility" driving her to analyze

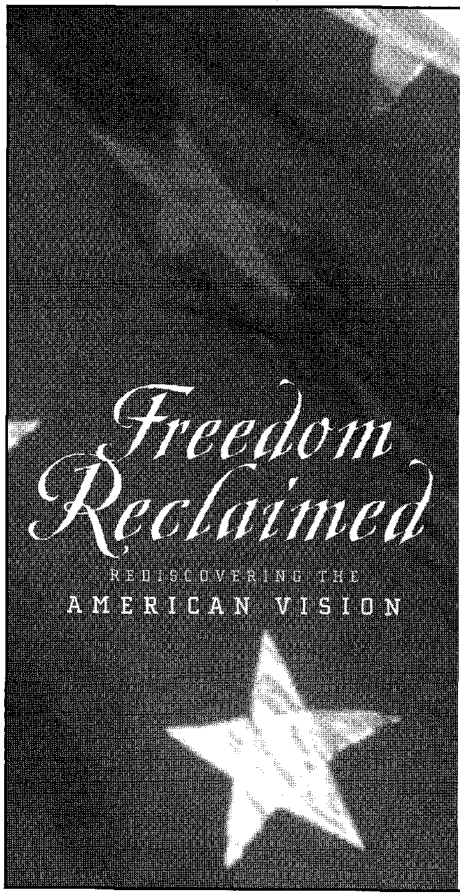
camp. "To name a sensibility," she writes, "to draw its contours and to recount its history, requires a deep sympathy modified by revulsion."

SUCH AMBIVALENCE WAS A SOURCE of energy for Sontag in her prime. It fueled her critical writings on literature and film. And her fiction and drama often portrayed an unhappy consciousness, paralyzed while trying to hoist itself by its own psychic bootstraps. About Sontag's creative writing, generosity requires the tact of quickly changing the subject. (Except for *The Volcano Lover*, her novels are, for the most part, lifeless and disappointing.) But she was a virtuoso of the interview, and one of the finest books of her last decade was the volume assembled by Leland Poague called *Conversations with Susan Sontag*, published in 1995.

In recent years, her writing had appeared less frequently—a matter of ill health, but also of what seemed an exhaustion of the driving passions of her earlier work. In her last collection of essays, *Where the Stress Falls*, appearing in 2001, Sontag wrote, "My energy as a writer impels me to look forward, to feel still that I am beginning, really beginning, now." But much of her later writing involved spirals backward, rather than bold advances. *AIDS and Its Metaphors*, published in 1989, was a long postscript to *Illness as Metaphor*, from 11 years earlier. Her fourth novel, *In America*, recycled the historical-romantic form of *The Volcano Lover*.

And the handful of her new essays appearing in the 1990s tended less to think about the culture than to worry over it (something most of us can do just fine for ourselves, thanks). While my own admiration for Susan Sontag did not falter, my patience with her did. And then came September 11, and her notorious few paragraphs in *The New Yorker*—for which, in some quarters, she will never be forgiven. "The public is not being asked to bear much of the burden of reality," she wrote. "The unanimously applauded, self-congratulatory bromides of a Soviet Party Congress seemed contemptible. The unanimity of the sanctimonious, reality-concealing rhetoric spouted by American officials and media commentators in recent days seems, well, unworthy of a mature democracy."

Then, just as the long-prepared war on Iraq began, she published *Regarding the Pain of Others*, a meditation on the role that photography plays in how noncombatants understand the violence of war. And last May, after the revelations from Abu Ghraib emerged, Sontag wrote an analysis of the "ecology of images" (as she had put it in *On Photography*) in which the pictures emerged: "To act is to share in the community of actions recorded as images. The expression of satisfaction at the acts of torture being inflicted on helpless, trussed, naked victims is only part of the story. There is the deep satisfaction of being photographed, to which one is now more inclined to respond not with a stiff, direct gaze (as in former times) but with glee. The events are in part designed to be photographed. The grin is a grin for the camera. There would be something missing if, after stacking the naked men, you couldn't take a picture of them."



Everything Sontag wrote during this final period was brave and necessary—and certain to bring, in the midst of all her illness, an additional measure of suffering. (One sure way to get America to hate you is to tell it to grow up.) A few years ago, a cultural journal in Paris invited her to respond to "an international survey about intellectuals and their role." What, the editors wondered, is the task of the intellectual today? A Sisyphean one, she replied, "to embody (and defend) a standard of mental life, and of discourse, other than the nihilistic one promoted by the mass media."

Not an easy role—least of all in America, least of all now. But remember that Camus, at the end of *The Myth of Sisyphus,* imagined his subject happy. (Endless and futile? Yes, but it's steady work.) One hopes—no; one is certain—that Sontag was, too. **TAP**

***Scott McLemee** was the 2004 recipient of the National Book Critics Circle citation for excellence in reviewing.*

BOOKS

THE COMING BUSH BUST

NEOCONOMY: GEORGE BUSH'S REVOLUTIONARY GAMBLE WITH AMERICA'S FUTURE BY DANIEL ALTMAN PublicAffairs, 290 pages, $26.95

INNOVATION AND ITS DISCONTENTS: HOW OUR BROKEN PATENT SYSTEM IS ENDANGERING INNOVATION AND PROGRESS, AND WHAT TO DO ABOUT IT BY ADAM JAFFE AND JOSH LERNER Princeton University Press, 256 pages, $29.95

RUNNING ON EMPTY: HOW THE DEMOCRATIC AND REPUBLICAN PARTIES ARE BANKRUPTING OUR FUTURE AND WHAT AMERICANS CAN DO ABOUT IT BY PETER G. PETERSON Farrar, Straus and Giroux, 272 pages, $24.00

BY ROBERT KUTTNER

IS THERE A DEMOCRATIC VIEW OF economics? Under Bill Clinton, Democrats came to stand for fiscal prudence, welfare reform, and a fairly conventional view of foreign trade. Full employment was the main engine of a more equitable income distribution. Clinton also went along with the dismemberment of much of the regulatory state, some of which boomeranged when liberated financial markets erupted in scandals that are still reverberating.

The single most memorable policy of the Clinton era was Rubinomics—the premise that balanced budgets would allow lower interest rates, steady growth, and high employment. Federal Reserve Chairman Alan Greenspan was a willing partner, though he lived to regret the low interest rates when they fueled a stock-market bubble that was also enabled by an excess of deregulation.

Today, Clinton's entire approach has been reversed by George W. Bush, the surplus is gone, and Social Security is at risk, along with the stability of the U.S. economy. With Congress in Republican hands, nearly all of the Democrats' economic battles have been defensive.

The Republican story is that the economy thrives when entrepreneurship is unleashed: Cut taxes, therefore, reduce regulations, and market forces will do the rest. In this view, increasing the debt is no problem because we will grow our way out of it. Nor is a falling dollar worrisome because the world's investors are still attracted to America's dynamism: A cheaper currency makes our products more attractive in world markets, which will eventually moderate the trade deficit (and in any case, the central banks of China and Japan will keep buying our bonds because they need us to buy their exports).

Today, the ostensible economic issues are the cause and cure of the budget deficit, the swooning dollar, and the burgeoning trade deficit. The deeper question, however, concerns the true dynamics of economic innovation and productivity and their relation to the social distribution of the economic product.

Yet the economic debate is often like the sound of one hand clapping. A return to Rubinomics might be salutary but it would hardly be sufficient. A more full-throated liberal economic agenda, based on a different conception of national goals and means, is largely outside the national discourse. Tellingly, there is a paucity of books spelling out a coherent progressive story. Instead, there are some interesting critiques of Bush's economic policy and of current economic conditions and assumptions.

DANIEL ALTMAN, A YOUNG HARVARD economics Ph.D. and former student of Martin Feldstein, has written editorials and columns for *The New York Times*. His first book, *Neoconomy,* is a useful synthesis of the intellectual muddle that is Bush's economic policy and the risks it is incurring. In 2002, in the wake of September 11, Bush himself sounded like a Keynesian, declaring, "I said to the American people that this nation might have to run deficits in time of war, in times of national emergency, or in times of a recession. And we're still in all three." Bush liked the concept so well that he invoked it throughout the 2002 congressional campaign, calling this triple threat the "trifecta."

But as Altman points out, Bush's "neoconomists" were not really after short-term stimulus. Their goal was to reduce taxes as much as possible because they believed that permanently lower taxes would increase the rewards to savings, investment, and hence growth. Incidentally and conveniently, the cuts would increase the after-tax income of a lot of Bush supporters. Altman has a scorecard listing the several taxes that the neoconomists hoped to drastically reduce or abolish: the estate tax, taxes on interest, the dividend tax, capital-gains taxes, and the tax on corporate income. As his story advances, one after another gets a little check mark.

In an attempt to give the narrative

some dramatic tension, Altman proposes the dubious premise that Bush's real goals were concealed. At more than 20 points in the narrative, Altman throws in lines like, "The neoconomists hadn't tipped their hand yet, so it was hard to tell what their real plans were," or, "Years had passed while the neoconomists stealthily but assiduously pursued their dream." But as any newspaper reader knows, there was nothing stealthy about the supply-side project. The effort to reduce taxes on investment income and corporate profits has been a flagrantly open goal for nearly 30 years.

Altman is at his best when poking holes in the supply-side premise about how the economy works. He cites several pieces of academic research demonstrating that government outlay is often a superior engine of growth to private investment—not for Keynesian economic-stimulus reasons but because government provides many necessary inputs to greater productivity, from scientific advances to a well-educated workforce. "For around $50 billion a year," Altman writes, "less than a third of the cost of the tax cuts—the government could have paid enough to double first enrollment at the nation's four-year colleges." Or Bush could have forgone the tax cuts and tripled scientific research.

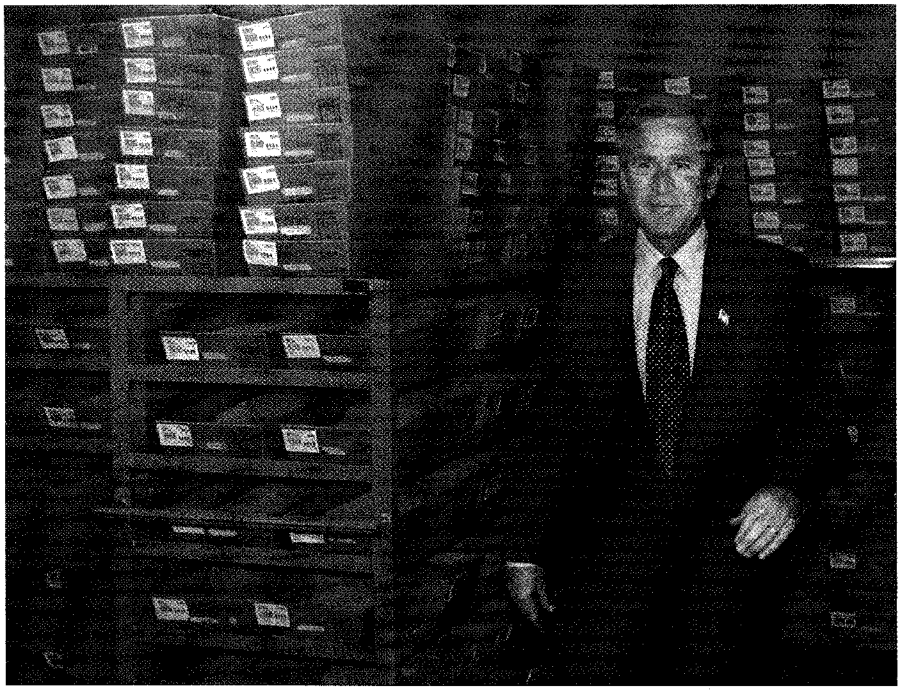
Altman begins to tease out an important, and largely unargued, debate regarding the true sources of innovation—and, in turn, of productivity and growth. On one axis of the debate that he addresses, the issue is whether tax cuts will truly produce more investment in innovation and growth than certain social outlays. A second axis of debate has to do with the ground rules of the innovation system.

THE ORIGINAL RATIONALE FOR PATENT and trademark protection was to reward, and hence promote, innovation. Lately, industry has succeeded in lobbying Congress to increase intellectual-property protections. Patent and copyright terms have been extended. Procedures have been modified to make patents easier to get and "infringement" easier to litigate. Many research products that stayed in the public domain now end up being private property, and the science is balkanized. Corporations have also been more aggressive at limiting the freedom of scientists working on grants or contracts to freely publish their findings.

A recent literature suggests that excessive patent and copyright protection now has the paradoxical effect of retarding innovation. A good primer is *Innovation and its Discontents*, by Adam Jaffe, an economist at Brandeis University, and Josh Lerner, who teaches investment at the Harvard Business School. As Jaffe and Lerner tell the story, seemingly innocent legislative changes enacted in 1982 have made it much easier to obtain a patent and to harass other innovators for alleged infringement. "In short," they write, "the reforms of the patent system have created a substantial innovation tax."

Because future innovations are built on existing technologies, walling off those technologies retards innovation. Indeed, the owner of a patent has every incentive to discourage innovations not under his or her own control. So there is "an inherent tension," the authors write, between protecting and promoting innovation." The book offers a wealth of examples from the biotech, software, footwear, and other industries, and recounts hilarious stories of attempts to patent a peanut-butter-and-jelly sandwich and a "method of swinging on a swing" invented by a 5-year-old. In some cases, judges have intervened to compel cross-licensing agreements to serve the seemingly opposite goals of protecting patent holders while promoting general innovation.

Jaffe and Lerner are on to something very important. If anything, they understate the problem by focusing mainly on changes in the procedures for awarding and defending patents. During the same recent era, manufacturers such as Microsoft have tried to crush rivals and turn public goods into proprietary ones. Using the Bayh-Dole Act, the drug industry has taken publicly funded innovations and turned them into proprietary products, capturing a great deal of university-based science along the way. [See Jennifer Washburn, "Hired Education," page 29.] The erosion of antitrust enforcement and the excessive protection of patents are part of a common malady afflicting America since about 1980. There is an infant "copyleft" movement aimed at restoring balance and protecting the intellectual and scientific commons. However, the words "Lawrence Lessig" do not appear in Jaffe and Lerner's important



Tax-Rebate Checks: Too much of a good thing

but narrow text, and Microsoft is discussed only in passing.

It was the economist Joseph Schumpeter who pointed out the virtuous role of monopoly in capitalism—up to a point—because it is the exploitation of monopoly power that generates the profits that finance the next round of innovations. But as Schumpeter also pointed out, this can easily go too far. Getting the ground rules right for innovation is at least as important as getting the balance right between public and private investment, not to mention balancing the budget.

Running on Empty is the fifth book Peter G. Peterson has written in two decades warning that entitlements are bankrupting America. Peterson is a Republican, but he breaks with most Republicans in criticizing Bush's rising deficits. Indeed, it is the Bush experience that gives Peterson a good reason to write yet another book. Yet his political thesis, embodied in his subtitle's claim that "the Democratic and Republican Parties are Bankrupting our Future," is anachronistic bordering on intellectually dishonest.

Peterson is a chum of Bob Rubin, but Clinton's fiscal revolution gets exactly one grudging sentence. To Peterson, Democrats are still equal offenders with Republicans in perpetrating budgetary excess. His book is emblematic of a media cliché holding both parties about equally responsible and blaming bipartisan gridlock for the looming fiscal catastrophe that Peterson invariably exaggerates. The combined "unfunded liability" of Social Security and Medicare, he writes, is $27 trillion. But, as Alan Blinder has pointed out, we don't consider our projected defense spending over the next 75 years an unfunded liability. We consider it a necessary outlay that future tax revenues will support.

The latest projection by the Congressional Budget Office puts the 75-year Social Security imbalance at just four-tenths of 1 percent of the gross domestic product. It would have been very useful to read a book on the actual fiscal dimension of the underlying Social Security and Medicare commitments, their relationship to the Bush deficits, and the relatively culpability of the two parties. Peterson's rehash isn't it.

If economists have agreed on one proposition for nearly 200 years, it is the virtue of free trade. The basic proposition, dating to David Ricardo in 1817, has been that both trading partners realize net gains from trade thanks to the efficiencies of specialization. Economists have conceded that some individuals within nations might lose from the dislocations of trade, but this was a subject for redistribution policy and not an impeachment of free trade; nations as a whole benefited. No serious U.S. politician has questioned free trade for nearly a century. Yet this past summer, a revolutionary article was published in *The Journal of Economic Perspectives*. The dean of modern economists, Paul Samuelson, at age 89, questioned whether the theory still always makes sense in an era when two immense economies, India and China, can produce much of what is made in America with nearly the same efficiency but at a fraction of the wages. What made news was less what was being said than who was saying it.

In a December cover story headlined "The China Price," *BusinessWeek* described pressure on U.S. producers to match prices of products made in China, sometimes below U.S. costs of production. Contrary to the usual story that China's production of low-wage goods simply invites American workers to move up to higher-valued

A WORLDLY ECONOMIST

Robert L. Heilbroner, who died January 4 at the age of 85, was one of a dwindling generation of professional economists who had broad humanistic curiosity and progressive values, and who wrote graceful prose for a large audience. Heilbroner was first and foremost a student of the history of economic thought. His masterwork, *The Worldly Philosophers*, written in 1953, was once required reading in introductory economics courses. His characterization of the great political economists was perfect: They were moral philosophers with empirical curiosity—*worldly* philosophers

Heilbroner, who held the Norman Thomas Chair at the New School, was not just their chronicler. He was one of them. His great lifelong project, with Smith, Mill, Marx, and Keynes, was to get his mind around the capitalist system and to figure out how the thing worked.

His other truly great book was a short work written in 1985, *The Nature and Logic of Capitalism*. Like Marx, with whom he had an intellectual love-hate relationship, Heilbroner understood capitalism as a system of social relations and political power, not just exchange. An empiricist, he had little patience for oversimplification of any kind, neither "the reductionism of vulgar Marxism" nor the "vulgar reductionism of modern theoretical economics, which perceives capitalism as merely a neutral field of property rights."

In the early 1980s, I paid a call on Heilbroner while researching a book. I was a little startled to find that he lived in a Park Avenue duplex. "I'm not wealthy," he explained. (His father had been an affluent haberdasher.) "I was just fortunate to sell a lot of books, and I happened to be in the market for an apartment in 1975," the year the bottom fell out of the Manhattan real-estate market. He had picked up his place, he explained, for well under $100,000. I mumbled something about the professional economist understanding real-estate cycles. "No," he said. "It was just lucky timing."

A man of charm and sweetness, he appreciated just how much the economic fate of ordinary people is simply an accident of luck and timing. That made him an egalitarian (though, as a worldly man, he didn't mind living well). I never was his student, but I repeatedly sought him out as a teacher, and he was unfailingly generous and wise.

It's a pity that few economics students nowadays read the worldly philosophers. Heilbroner, along with John Kenneth Galbraith, Karl Polanyi, and Albert Hirschman, deserve to be read and read and read. The academy and the society will be better places when professional economists again find this broadly educated voice.

— *Robert Kuttner*

processes, *BusinessWeek* made clear that all of manufacturing and many service industries are vulnerable.

When immense low-wage nations such as India and China are the trading partners, the Law of Comparative Advantage is overtaken by the Law of One Price. If productivity levels are roughly comparable thanks to equivalent production technology, wages need to roughly converge. For American workers, that means convergence downward.

In this new literature, there is belated acknowledgment of a real problem, but scant discussion of remedy. In a sidebar to the main *BusinessWeek* story, Paul Magnusson suggests a range of policies, from tougher enforcement of intellectual property and trade rules to U.S. budget balance. But none gets at the root of the U.S.-India-China problem, which is wages in exporting countries that lag far behind productivity growth. The only remedy that avoids downward convergence is some kind of global wage regime, to force faster increases in wages and living standards in export powerhouses, based on rising productivity, so that India and China would be more reliant on expanded domestic markets. That idea is on nobody's political radar screen.

WHAT IS UNDER INTENSIFIED scrutiny, however, is the increasing size of the U.S. trade deficit, the falling value of the dollar, and the role of the Bush budget deficits. Catherine L. Mann, of the Institute for International Economics, writes of a "global co-dependency" in which the central banks of China and Japan buy U.S. debt and American consumers keep buying their exports. This strategy, she warns, is a "bargain with the devil" because "when their own currencies eventually do appreciate, not only will their exports fall but so, too, will the value of the U.S. assets in their portfolios." Whether this adjustment will occur gradually or with a nasty thud is anyone's guess. But nobody doubts that the Bush fiscal policy is increasing the risk.

Reading these works, one glimpses pieces of a whole other strategy for the U.S. economy—one that restores both fiscal balance and social balance by reclaiming a progressive tax system and public outlay. Growth would flow more from the fruits of social investment than from the market casino. More research would stay in the public domain, which would also be good for growth. The social product would be shared more equitably via—what else?—taxing and spending. International balance would improve as a consequence of the better fiscal balance, but there would also be pressure on exporters to raise their domestic living standards so that they did not depress ours.

I know of no single book proposing this model. More alarmingly, it is far from what is being offered by today's Democratic Party, traumatized as it is by successive election defeats, fiscal pillage, and counsels of economic centrism. Beginning with Barry Goldwater, the right recovered by thinking boldly, way outside the conventions of the day. Liberals would be well advised to do the same. **TAP**

It's Medicare, Stupid

BY ROBERT B. REICH

OF THE NATION'S TWO GIANT ENTITLEMENT PROgrams, only one is in real trouble. It's Medicare, not Social Security. As our special supplement makes clear, the Social Security system isn't in a crisis. The system has been in surplus for years now, and those surpluses have been used to cover part of the government's annual budget deficits. After 2018 and continuing through mid-century, the federal government must repay the system what it borrowed, the same way it pays back other bondholders, using revenues from other sources such as income and corporate taxes.

As labor secretary, I was a trustee of the Social Security system. In 1994, we anticipated that Social Security wouldn't be able to pay all of its obligations beyond 2029. But that projection was based on very conservative assumptions about economic growth. The current trustees, updating the assumptions, have pushed the year of reckoning outward to 2042, and the Congressional Budget Office (CBO) pushed it further, to 2052. Even this lowballs the effects of economic growth. If the economy grows anywhere close to its historic average of 3.2 percent a year—the average since the Civil War!—the system won't ever run out.

George W. Bush's "privatized" accounts are a classic bait and switch: Use a perceived problem in order to justify a "solution" that has nothing to do with it. Privatization would borrow some $2 trillion over the next decade, much of which would line the pockets of Wall Street financial firms. Eventually the system would make up the loss with steep reductions in future Social Security benefits, most likely by indexing the benefits to consumer prices instead of wages. According to the CBO, this change alone would cut a typical retiree's total benefits from the 42 percent of pre-retirement income they get today to 22 percent a few decades from now. Such a drop might be tolerable if the returns from private accounts made up the difference, but they wouldn't. The CBO estimate includes expected returns from private accounts! Rarely in history have so many people been offered so bad a deal in order to enrich so few.

Even if it otherwise made sense, a privatized Social Security system would leave seniors prey to bad luck, bad timing, or ill-advised investments. Remember that the purpose of Social Security is contained in its second word, "security." And that security comes from spreading financial risks, hence the first word, "social." Bush's plan for Social Security is neither social nor secure.

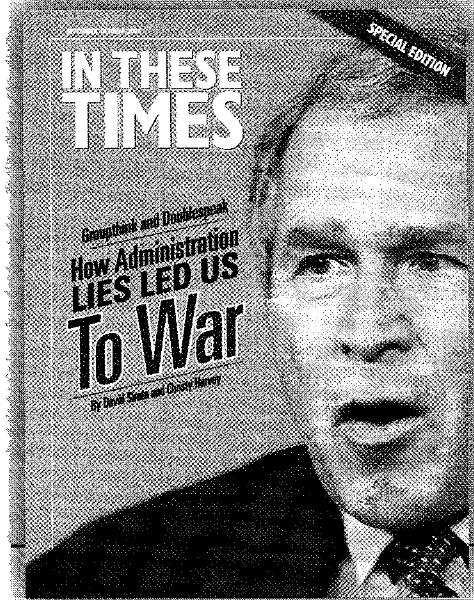
The real crisis is in Medicare, which is going bust at an alarming rate—because of bad policy.

The real problem is Medicare, which is going bust at an alarming rate. And that's not mainly because of an aging population; it's because of willfully bad policy. Private insurers have every incentive to game the system through Medicare HMOs. Insurers are spending a fortune marketing and cherry-picking, seeking to avoid seniors likely to require expensive treatments. Of course, this is precisely the approach the White House hopes to expand with its proposal for private health accounts. The result would be to shift more costs and risks to individuals, thus making health insurance less reliable. Other nations with older populations and universal health systems spend less per capita on health overall, including less on the elderly, and yet have better health results.

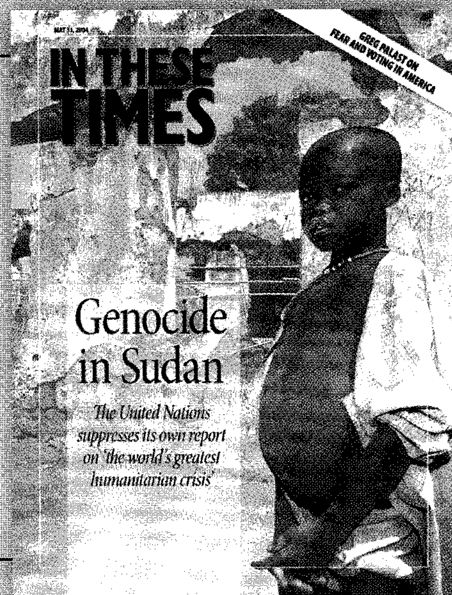
The White House would rather not talk about any of this. Indeed, its new Medicare drug benefit makes the Medicare problem much worse. The GAO (an arm of Congress formerly known as the General Accounting Office) recently measured the projected costs of Social Security and Medicare over 75 years minus expected revenues. Four years ago, before Bush's drug benefit was enacted, the long-run costs of the two programs were roughly equal. Today, the cost of future Medicare promises is about twice that of Social Security.

The biggest reason why Bush's Medicare drug benefit is so expensive is that the legislation creating it explicitly prohibits the federal government from using its bargaining power as the world's largest buyer of drugs to negotiate lower prices from pharmaceutical companies. In other words, the law is a giant giveaway to the drug companies, guaranteeing them a huge new market at top-dollar prices.

So it's a double coverup. The White House is trying to scare Americans about a Social Security "crisis"—first, because it wants to privatize Social Security and give a big payoff to Wall Street, and second, because it wants to divert attention from the exorbitant costs of its Medicare payoff to Big Pharma. If Democrats are truly concerned about unfunded government liabilities decades from now, they should say no to Social Security "reform" and demand that federal government use its bargaining leverage to get lower drug prices for Medicare. **TAP**

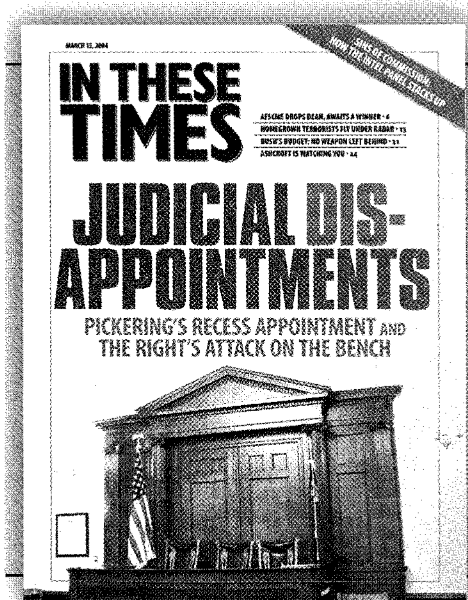


"*In These Times* is a rare beacon of truth-telling amid that swamp of political propaganda known as the media. It delivers the hard news one might expect from a free press. It explains the subtext for the continuing scandal of our delayed democracy. Read it—you will regularly be shocked by what the other journals leave out." —**WILLIAM GREIDER**



"Thank you for the clear-headed insight of your writers. The honest search for truth exemplified by your writers is needed for the very survival of our nation and the furtherance of peace throughout the world."

—**JOSEPH KENNEDY, MAYBEE, MICHIGAN**



"At a time when dissenting views are almost nonexistent in mainstream media, the sanity and common sense I receive from *In These Times* is my biweekly tonic. It helps keep me in good health physically and ethically."

—**STUDS TERKEL**

IN THESE TIMES

www.inthesetimes.com · 1 (800) 827-0270

Get it twice a month for only $24.95 per year!